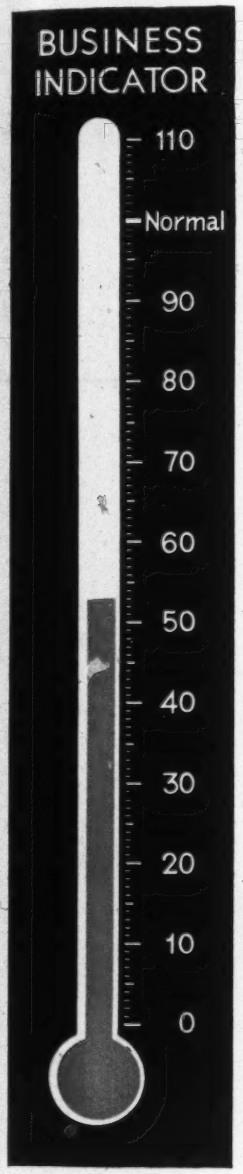
DEC 14, 1932

THE BUSINESS WEEK



The encouraging steadiness in the general level of business activity, apart from purely seasonal changes, which has characterized the last half of this year seems to be persisting to the very end. . . . The usual year-end recession in steel output and other indicators of industrial activity as well as carloadings has so far been more moderate than in the same period of the past two years. . . . Coal production continues at a relatively high level, and the unseasonal strength shown by construction contracts is striking. The apparent ability of commodity prices to resist international influences making for further decline in the average level is particularly impressive, even though special conditions have tended to cause weakness in some instances. . . . The same applies to the security markets, which have stubbornly refused to surrender more than half of their average gains since the depression lows of early summer, in face of uncertainties and disturbing news. . . . Recent signs of stabilization in railroad earnings and of more active credit expansion by New York member banks have also been reassuring. . . . These and other indications encourage the hope that, despite the difficulties of the winter and the probable confusion and futility of the lame duck session of Congress just starting, a large part of the improvement in the business and financial picture during the past six months may be held until the slow forces of recovery are supplemented by seasonal influences next spring.

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THE BUSINESS WEEK

DECEMBER 14, 1932

A Lame Duck Congress

It will not cut the budget to the bone; it will not pass a banking bill; it will make no moves toward international cooperation. Thus the President's 3 principal recommendations will be whittled down.

WASHINGTON—Congress will not comply fully with the 3 principal recommendations made by President Hoover in his message as the necessary next steps to promote employment and to increase prices. The President urges:

(1) Further reduction of government expenditures—national, state, and local.

(2) Complete reorganization of the banking system.

(3) Cooperation with other governments in the economic field.

Victory Brings Cares

Congress will not go the whole way in carrying out the proposed reduction of $581,923,635 in expenditures for the next fiscal year. To start with, some of the enthusiasm for economy on the part of Democratic members has been dulled by the fact that they won the election. They foresee the reaction that would follow such a wholesale reduction in government services. While their assumption of responsibility may temper the demand for any expansion of the public works program, it is not expected that Congress will approve in full the recommended curtailment of federal aid for highway construction, of veterans' services, or of flood control. The veterans' lobby is already very much on the job.

The President's emphasis on the need for banking legislation will give impetus to Senator Glass's bill—but not enough impetus to pass it at this session. Glass was able virtually to write his bill into the Democratic platform; nevertheless there is enough opposition in Congress to delay its passage.

The announced intention of the Democrats is to consider all matters of foreign relations in a unified way after they take power. That means no action at this session.

There'll Be Taxes!

There is a better prospect that the recommendations for the sales tax and for balancing the budget will be carried out. There are many members of Congress who believe a solvent country with large remaining resources need not be entirely scrupulous about having the budget in balance, but they recognize that the rank and file of the people have been sold the idea that the budget must be balanced, so they will vote whatever taxes are necessary to do it.

With time so limited, the chances are against the approval of legislation providing for membership in the world court; ratification of the St. Lawrence treaty; revision of the bankruptcy acts, and modification of the anti-trust laws as they apply to natural resource industries.

Beer

The repeal resolution after all did not affect the budget. Beer will, which helps assure its victory.

WASHINGTON—Congress failed to adopt the repeal resolution, but the vote—only 6 short of two-thirds for repeal—proves pretty conclusively that Congress will legalize low-powered beer. It takes a mere majority to accomplish that.

Some of the President's friends in Washington have been very free with their predictions that he would veto a beer bill. But there is rather credible information to the contrary—assuming the bill would not legalize stuff too strong.

Defeat of the repeal resolution had

Wide World

INVOCATION—Congress convenes, appropriately, with prayer. This short session—perhaps the last of the lame duck settings—faces the most important issues in years. But action on war debts and farm relief, beer and taxes, may have to give way to the all-important budget. Pictured, is the opening of the House. Speaker Garner stands before the flag; at his right, the mace on its marble column; before him, Democrats and Republicans at prayer; above him, watching speculatively from its gallery, the Press.

no effect on the budget. Not even the most enthusiastic wet believed a repeal amendment could be ratified by the states within 3 years.

But beer would begin to yield revenue within a few months. That puts pressure behind beer that the repeal resolution did not have.

Budget Medicine (Mild)

President asks further cuts in federal pay and veterans' relief, continuance of federal gas tax, and general manufacturers' excise tax to avoid $300-million deficit forecast for next fiscal year.

THE budget message and the annual report of the Secretary of the Treasury plainly forecast further deficits or additional taxation. Secretary Mills estimates that the deficit for this fiscal year, ending June 30, 1933, will be $1,146 millions. This does not include required or statutory expenditures for debt retirements, which will bring it to $1,644 millions. The estimate also assumes that payments on foreign war debts amounting to $268 millions will be made during this fiscal year. Since they won't, the deficit will probably be close to $2 billions by June 30, 1933. This will come on top of a deficit of $2,885 millions for the fiscal year ended June 30, 1932, and one of $902 millions for 1931—total in the hole since the depression started about $5¾ billions. Mr. Mills' estimate may be low. For the first 5 months of this fiscal year the deficit is already $750 millions.

—But Nothing Drastic

In face of this it was supposed that the President's budget message would recommend drastic budget-balancing medicine, but it has turned out rather mild. Economy is urged and avoidance of another deficit for 1933-34 is advised, but actual cuts in budget estimates amount to only $397 millions. In addition to these cuts the President makes 2 recommendations for reductions. One is that, on top of the cut due to forced furloughs under the Economy Act, federal employees take a "temporary" pay cut of 11% on salaries above $1,000. This will save $55 millions. The other is for curtailment of certain services to veterans, which will save $127 millions. If these suggestions are adopted the total reduction in the budget for 1933-34 below the appropriations made for 1932-33 will be $581 millions. The largest cut is in federal-aid public highways appropriations to the Department of Agriculture —amounting to about $200 millions.

Even if this is done, and no additional appropriations are made (both of which are unlikely) the best prospect the President can foresee is for a deficit of about $307 millions in the fiscal year 1933-34. This makes no allowance for public debt retirements amounting to $534 millions, and assumes that we will receive $328 millions of war debt payments between June 30, 1933, and June 30, 1934, which will probably not be forthcoming, so that in fact on the face of the figures the deficit for 1933-34 will be $1,170 millions.

To offset this, the only suggestions the President and the Secretary of the Treasury make to bring the budget into balance in 1933-34 are two. First, to continue the federal gasoline tax from June 30, 1933, when it ceases under present law, to June 30, 1934. This is estimated to produce about $137 millions. Second, to replace the present special excises by a general uniform manufacturers' excise on everything except food and certain kinds of clothing at a rate of 2¼%. It is estimated this will produce $355 millions more than the present excises do. Together these measures would yield $492 millions. Secretary Mills suggests also that the normal reduction in the public debt be omitted. This would still leave us about $250 millions in the hole at the end of the next fiscal year.

Beer's Wide Opening

All this presupposes that the President's recommendations for cuts in the budget will be accepted. Since they involve drastic reductions in public works, and practical suspension of further federal highway expenditures, as well as additional pay cuts and reduced veterans' relief, it is hardly likely that Congress will go along with them. The prospects for further increase in the public debt or for additional taxes besides those suggested by the President are therefore good. That is why beer stands out so strongly in the fiscal picture. Something of the sort will be needed to fill the big hole in the budget.

Acme

MACE BEARER—Once carried in battle by mediaeval bishops to slay without bloodshed, the mace persists only in ceremonial use. The Sergeant-at-Arms of the House, Kenneth Romney, marches in with the mace at the opening of Congress, carrying on the tradition of his title, started by the royal "serjeants" of Philip of France and Richard of England.

War Debts

Many Congressmen well understand the situation. But they're sure the voter doesn't.

WASHINGTON—No small proportion of Congressmen understand perfectly well that the United States has nothing to gain by insisting upon the payment of the war debt instalments. But they do not believe the voters understand it, and so they are not going to extend leniency. It is hard to explain to a farmer whose mortgage is being foreclosed why foreign nations should be allowed to defer payment.

European peoples of course do not comprehend that the mass of Americans believe foreign nations that are squandering huge sums on armies are trying to push their just obligations onto the weary shoulders of the American taxpayer.

Nor do American voters appreciate the fact that the European masses think

German imperialism was aimed as much at us as at them; that it was our war from the outset, as much as theirs; that therefore we seem to them a rich nation that escaped much of the death and misery, yet now insists on impossible money exactions.

All this wide divergence of viewpoint simply helps build up isolationist sentiment here and abroad. All the sentiment is toward high tariffs and trade restrictions, rather than away from them. Prospect of constructive agreements is reduced. International cooperation, as under the Kellogg pact, becomes a more and more remote probability.

Congress—or its most enlightened leaders—realizes these things. But it is highly apparent that the political courage required for any prompt or decisive action is lacking.

Washington is willing to concede that the British wrote a good note, but there are two weak spots in it plainly visible. The note overplays the part debts have taken in the depression. There is great surprise expressed that the British should have been so undiplomatic as to incorporate in the note the implied threat to clamp down on imports. None doubts that they are going to do that very thing, but it is regarded as being poor taste to put such an implication in the note.

Congress is noticing evidence that the note made an impression in America, where feeling already was undergoing some change. Resolutions adopted by the New Orleans and the Houston Cotton Exchanges and widely circulated among cotton farmers pointed out that the policy toward the debts is depressing cotton prices and expressed regret that there should be any delay in setting up a debt-funding commission.

The British note is believed to be largely the handiwork of Sir Walter Layton. Reliance upon the Basle report, largely the work of an American—Walter Stewart—is another interesting feature of the document.

In reciting that one-third of the $12 billions spent in this country was borrowed here, the note might have gone further to say that enough profits were taken from the other $8 billions to pay off the $4 billions.

The French note was an out-and-out diplomatic document, technically calling attention to pertinent precedents and emphasizing the fact that the moratorium was initiated in this country.

Anti-Trust

Perennial subject of agitation, modification of the anti-trust statutes works down to a specific, concrete proposal that may be pressed at the short session of Congress—if only to impress the next one.

HEARTENED by what they sense to be growing public sentiment in their favor, representatives of the natural resource industries—coal, copper, lumber, oil—have high hopes of getting a modification of the anti-trust statutes that will permit them to form associations to regulate production and engage in co-operative selling.

Enthusiasts talk of getting action from the short session of Congress. Even those who believe this session will have all it can do if it deals adequately with fiscal measures believe it is time to press matters now if action is to be had at the next session.

Bituminous coal producers started the ball rolling. The National Coal Association invited representatives of the other industries to meet in New York and laid before them a specific proposal. It is simple enough. The natural resource industries ask briefly and succinctly that they be allowed the same exemptions from operations of the anti-trust statutes that are extended to agriculture.

Producers in any of the enumerated industries are to be allowed to form associations to produce and market in interstate and foreign commerce cooperatively. No member is to be allowed more than one vote, irrespective of size or stock holdings; dividends are limited to 8%; production of non-members will not be handled in value greater than the aggregate of members' production. The Secretary of Commerce is to be given authority to file a complaint and hold hearings, and enter cease and desist orders after hearings, if he finds therein that prices are unduly enhanced.

The conference considered this proposal, referred it to a subcommittee for study and report. Members of the subcommittee: Walter Gordon Merritt, counsel for the Anthracite Institute; C. E. Bockus, president, National Association of Lumber Manufacturers; C. B. Ames, president, American Petroleum Institute; William Church Osborn, counsel, Phelps Dodge Corp.

International News

BUDGET FIRST—Most important business on the Congressional calendar is consideration of revenues and reductions. J. Clauson Roop (standing), Director of the Budget, quotes facts and figures to Senators Dickinson (Iowa), Bingham (Conn.) and Byrnes (S. C.), members of the Senate Economy Committee, appointed to see what can be done about chiseling expenses.

2c Postage Again

Reason—the 3¢ rate started business delivering its own.

IF Postmaster-General Brown's recommendations get through Congress the post office will try out a new wrinkle in postal rate making. First-class letters addressed to points outside the city in which they are posted will continue to

travel at the 3¢ an ounce to which they were boosted last July. Those intended for local delivery will carry a 2¢ stamp.

Object, of course, is to bring back to the post office the large volume of mail that business has been sending by its own messengers ever since the rate raise. Department stores and utilities, particularly, with heavy local bill deliveries every month have withdrawn profitable patronage from Mr. Brown. And general messenger services have sprung up to carry erstwhile mail for any and all firms for hire, although their business is slightly handicapped by the fact that it is illegal.

If the House Post Office Committee has its way, which seems quite as likely, all first-class mail will go back to 2¢. Noting the department's estimated drop of $68 millions below 1931 receipts, it is more impressed by what it calls "bootleg post office service" than by the Postmaster-General's exhibit showing that in the 3 months beginning July 1, "for instance," the rate increase pushed receipts 19.8% higher than they would have been at the old level.

Interesting also to business is reiteration of the post office appeal for legislation compelling common carrier bus lines to carry mail. Busmen are said to be willing to carry first-class mail—many are doing it now—but will resent attempts to thrust the parcel post business on them (*BW—Mar9'32*).

Pineapples

Last year's overproduction accounts for this year's market drive.

HAWAIIAN ukuleles sound a blue note, these days. The palm-rimmed island paradise has been invaded by the depression. Sugar, its principal crop, leans tremblingly on the tariff. And pineapples have exploded with the unfortunate effects of their Chicago namesakes.

For the 5 years surrounding the boom, production of canned pineapple averaged 8,500,000 cases, all absorbed at good prices. In 1930, production jumped to 12,672,296 cases, and in 1931 to 12,726,291 cases.

About this time, effects of reduced purchasing power on the mainland began to be felt. Drastic price cuts could not compete with even more drastic decline in consumption. This year saw a heavy carryover, and red ink on the books of almost every company.

Producers faced the situation courageously. Planting was restricted. Thousands of tons of fruit were left to rot in the fields. This year's pack was curtailed to less than 6,000,000 cases. And a $1-million marketing campaign has been launched.

The Pineapple Producers Cooperative Association, in which are united Haiku Pineapple Co. Ltd., Libby, McNeill & Libby Ltd., California Packing Corp., Hawaiian Pineapple Co. Ltd., Baldwin Packers, Ltd., Kauai Pineapple Co., and Hawaiian Canneries Co. Ltd., is out to make America pineapple-conscious again.

Nation-wide advertising in newspapers and magazines is educating the American housewife to a greater appreciation of the health values of canned pineapple. Bakers are featuring pineapple pie. Restaurants, even soda fountains, are tempting the American husband with the Pineapple Cup, the crushed fruit arranged for easy eating. The smallest school child is being told how good the pineapple is for his little inside, and Science proves it to be as beneficial as it is tasty.

There is an island tradition that those who visit it always return. The pineapple producers, placing an advertising *lei* around the neck of the consumer, say, "Aloha!"

Better Bales

Cotton spinners of 20 nations propose to penalize the use of jute.

AMERICAN cotton notoriously is the worst handled in the world. For years, there has been agitation to encourage the adoption of better covering for the bales, but the Southern grower has stuck stubbornly to the coarse Indian jute that gives small protection against rain, mud, and stains and which, besides, sheds fibers that mix with the cotton and cause breaks in the yarn in spinning.

The movement never has won much ground until this year. Now it really looks as if it might be getting somewhere, for 20 nations have endorsed a resolution adopted by a committee of the International Federation of Master Cotton Spinners and Manufacturers' Associations of Manchester which proposes to penalize the use of jute and put a premium on the use of cotton bagging. The method proposed is a change in rules so that cotton will be purchased on a net weight basis. Since jute is heavier than cotton bagging, the excess freight is penalty.

The spinners are moved by their difficulties in spinning when jute is used. But there is another aspect of the situation. General adoption of cotton bagging in this country would destroy a huge market for jute, and a large jute spinning industry in India. Conversely, it would make a new market for about 200,000 bales of low grade, short staple American cotton.

Numerous American cotton mills already are putting the idea into practical effect. They offer to pay for 7 lb. extra cotton on cotton bagged bales.

Gold

Four new important finds, one new field, confirm the forecast of heavier world production. The airplane opens remote regions.

ONE of the safest of all economic forecasts is that low commodity prices will stimulate the production of gold. It is working out this time as it always has heretofore. Four important finds and one whole new field have just broken into the news.

The airplane is changing the whole picture. In the deserts of Australia or the jungles of New Guinea, it opens areas that simply could not be worked before, even though individual prospectors by dint of incredible hardihood had brought out tales of gold.

The new field is in the Guiana section of the state of Bolivar, Venezuela. A gold rush is on; $500,000 in gold came out in 3 weeks. An airplane service has been established.

Extensive deposits are reported in an uninhabited area in the desert of central Australia. Four companies are carrying on development. Planes have taken in diamond and rotary drills to prove the outcrop and locate water. The field is called "The Granites."

Cariboo Gold Quartz is doing important development work in British Columbia; has proof, according to the government mineralogist, of extensive reserves of high grade ore. The province will yield $4 millions in gold this year, an increase of 26% over 1931.

Canadians are stirred over a find 2 miles east of the Granada mine. Prospectors Airways has arranged financing and two mining companies have acquired interests. One vein 8 ft. thick has assayed $100 a ton so far.

Air-Made Mine

It may be a slight inaccuracy to call the Bulolo development in New Guinea a new find, but it is just coming into production. It is a low cost dredging operation which is working out well. Planes took up the dredge and the mill, saving the cost of building an expensive road, and, more important, saving perhaps 9 months' delay in starting work. Air service still carries up supplies, brings out gold.

The American Bureau of Metal Statistics has just released an estimate for 1932 totals—23 million ounces. Previous high, 22,737,520 ounces in 1915.

Imperial Airways is reported about to begin carrying gold up to Europe from the African mines. Its officials, however, say this prediction is premature. Regular service is getting under way on the African line; negotiations have been under way to arrange insurance on gold. When the service is offered, it is likely to be used promptly, for 8 to 10 days of interest can be saved.

The Business Week

STORE IN A STORE—General Electric's model kitchen in C. F. Hovey's, Boston. With it, is a display room for electrical appliances, both staffed by the local distributor. This is the basis of G-E's new distribution plan.

Appliance Sales Shift

Manufacturers look for distribution through department stores, chief purveyors to the home market; the stores, seeing profit possibilities, are willing enough, but electrical appliances demand special selling methods not included in their repertoire.

MAKERS of washing machines and irons, toasters, floor polishers, percolators, and all the other electrical accessories which have replaced the strong right arms of departed Ellens, Hildas, and Ca'lines, smiled hopefully last week. Cause of their hope was the report of the joint merchandising committee on department stores as outlets for electrical appliances.

Result of a survey of 40 stores, most of them in the $10-million class, the report covered in detail the experience of the stores with electrical merchandise, their policies, prices, and profits. In most cases, appliances are sold through the house-furnishing department, representing an average of 19.9% of total sales in that department; 12 stores maintain a separate department for electrical merchandise, evidence of the special selling and servicing which appliances demand.

Two factors have contributed a great deal to the development of the department store as an outlet. First is the desire of manufacturers to replace in their scheme of distribution the central stations which have been getting out of appliance selling in ever increasing numbers.

It is power company policy to concentrate sales effort on the large load-building units. Ranges, water heaters, and refrigerators help to keep up the domestic load, and the domestic load, running 2% to 4% ahead of 1931, offsets to some extent the 20% shrinkage of the industrial load.

For one reason and another (there's a law against utility selling of appliances in Oklahoma and Kansas) the utilities are generally willing to leave retailing to the retailers.

Second factor in the situation is the sudden discovery by the department stores of the profit possibilities of electrical merchandise. Sears, Roebuck's experience has had a great deal to do with this. Last year, it sold over $20 millions worth of appliances, many times the volume of business done by any single merchandising unit in the history of the industry. Over 90% of this volume was sold through the company's retail stores.

General Electric, as a result of its experiment in Boston, has developed the "controlled sales plan" for merchandising through department stores. Under this plan, the G-E distributor maintains a "store within a store," handling sales, service, installation, warehousing, and inventory, relieving the store of even personnel responsibility.

A household economy institute (model kitchen, to you) is set up, complete with G-E refrigerator, range, food-mixer, radio, fan, clock, timer, dishwasher, and flesh-and-blood home economist to stage demonstrations.

In C. F. Hovey's, Boston, where it was first tried out, the plan increased store traffic 90% in the home appliance department, increased general store traffic appreciably.

Strengths and Weaknesses

Success of the G-E plan emphasizes the value—and the deficiency—of the department store as an outlet. Department stores are used to playing a waiting game. They run an advertisement and wait for buyers. They have their own technique of markups and markdowns which does not fit appliances.

The first store to try this technique on washing machines (it was in Chicago) thought it had found the answer to a merchandise man's prayer. Marked down for the first time, all records were broken. Further markdowns, however, failed in their purpose. The first had exhausted the accumulated demand, and that was all there was to it.

Electrical appliances demand specialty selling, which means lots of outside work. The department store is ideal for furnishing "leads." Women (and women start the buying) visit department stores regularly. They patrol the aisles with an inquiring eye whether they are actually buying or "just looking." They do not habitually visit the hardware store, the purely electrical store, or the salesroom of the power company.

Door-bell Work

But "leads" are not enough. They must be followed up, and the sales closed, often after hours. It is here that the department stores in their present selling set-up are deficient. The G-E plan recognizes this fact, distributors put in their own specially trained salesmen to handle inquiries and follow up prospects outside. Sears, Roebuck has found it necessary to stimulate after-hours follow-up by offering bonuses to its own salesmen.

With such competition, department stores will have to improve upon their traditional technique if they are to be an important factor in appliance sales. And they will have to improve upon their attitude toward price and brand before they become the answer to what the manufacturer wants. Their markdown practices and brand-switching can

International-News

TAX TAG—Motorists get a replacement for the now obsolete "Hoover" and "Roosevelt" plates. Paul Hadlick, secretary of the marketing division of the American Petroleum Institute, had the bright idea. He thinks tax-conscious consumers will be happy to display them, perhaps even pay for them.

do more harm than good to a manufacturer with other outlets to consider and an advertised price to maintain.

All of which leaves the old contractor dealer in a somewhat better position. For years, his lack of salesmanship has kept him submerged in the distribution scheme. Of late, however, those dealers who have survived have learned specialty selling methods. Some of them have taken on oil burners, for instance. Many feature refrigerators.

The trend from central stations to department stores improves their chances. For department stores are limited to big cities. The small towns, the suburbs, with the exit of the utilities, can best be served by the dealers. There, their established local reputations mean more than anything else. They are well-equipped to handle the important matter of service. Manufacturers are ready to help them with advertising support and time-payment plans. All they have to do is sell.

Group Selling

Blanket makers, sheet, and pillow case makers join for economies of distribution.

JUST why it never was done before is not entirely clear; probably habit is the explanation, but the manufacturers of blankets, sheets, pillow cases, and bedspreads are combining their selling.

Cannon Mills has just become sole selling agency for Leaksville Woolen Mills, Inc., so that Cannon now is believed to be the largest handler in the world of finished textiles for the home. It is the biggest producer and distributor of towels. It also handles sheets and pillow cases, draperies and bedspreads, and now adds blankets, all and part-wool.

Nashua Manufacturing Co., another huge producer of blankets, has just acquired the Dwight Anchor wide sheeting, sheet, and pillow case business.

Moreover, there is a distinct movement among distributors to add to their lines of blankets the other lines of household goods.

In large stores, one buyer usually handles all these goods. The economy of a single salesman dealing with a single buyer is obvious.

Wool Novelties

Rubber-backed carpets and rugs, neckties, silk-wool blankets among the new products of an old but virile industry.

HOSE with silk legs (for style), worsted feet (for comfort), are one of the season's novelties. There are many more; few years have developed so great a number of new variations in the use of the ancient staple.

Wool neckties are newly styled and improved. They are catching on. Worsted shirtings are pretty expensive as yet.

Blankets show new styles and merchandising ideas. A silk-wool blanket is interesting. Rubber-backed carpets and rugs are developing a broader market. Upholstery velours with very long pile—like the imitation fur coats—are being used by some furniture manufacturers.

Women's scarfs, handbags, and hats more and more often are made of wool novelty fabrics.

Smell

Peat smoke, leather, new-mown hay bought by the pound nowadays, for use in processing textiles.

TWEEDS have a distinctive odor. Sometimes it comes from the peat fires in the homes of the spinners and weavers. Sometimes it comes out of a bottle. That "real leather" smell can also be purchased by the ounce nowadays.

Rather new, the use of aromatic compounds to remove disagreeable odors from textiles, or to add pleasant odors, is developing fast. The usual custom is to use a "neutralizing aromatic" which kills the smell inherent in the fiber, or developed in the process of bleaching or dyeing. But there are textiles faintly scented with carnation, rose, jasmine, or new-mown hay. Considerable experimentation has adapted compounds to the peculiar requirements of the industry. Small quantities are added to the finishing oils or softeners. One or 2 lb. of compound will scent 10,000 lb. of broad silks or hosiery. Rubberized fabrics require 1 lb. of scent to 1,000 lb. of goods.

Another use of aromatics is to identify a specific brand, or product. For example, mercerized yarns were thus identified from the first by a distinctive "clean" odor.

Soft Coal

Producers of bituminous wonder if a research laboratory to develop new appliances would not help.

IMPRESSED with the results achieved by the laboratory of the Anthracite Institute, the National Coal Association is giving serious consideration to the idea of establishing a research laboratory of its own, its primary purpose to promote improved equipment for the domestic and industrial utilization of bituminous coal.

Douglas Gorman of Baltimore is head of a subcommittee entrusted with the responsibility of working out a plan, upon which the association will pass.

Pure Iron

Swedish product replaces nickel in electronic tubes.

REPLACING nickel at about half the cost, "svea metal," a new pure iron product, is competing for the electronic tube market. The material is imported from Sweden.

The iron is said to give the tubes longer life than nickel elements. Coefficient of expansion is about the same as glass. The metal is easily workable.

Christmas Stocking—and Selling

Stocks, prices and dollar volume are lower than last year. Crowds are larger, buying is slower and cannier. Santa Claus is at his old stand but there's no nonsense about him as he whispers, "98 cents." It's a realistic Christmas.

CHRISTMAS buying, which marks the annual peak in sentiment and retail sales, began early this season. Store executives are eagerly studying resultant figures and plotting their lines against the slant of other years; an old saw says Christmas sales indicate the trend for the following 12 months. Crowds are generally larger than in 1931, but buying is slower. From early returns, a dollar volume about 20% less is expected for the season.

The Christmas thaw in frozen purchasing power is of tremendous importance to manufacturing, distributing, and traffic services. It also is a temporary stimulant to employment, retail stores filling thousands of emergency positions during the feverish four weeks. Spread-work enthusiasts have propagandized the stores, urging them to stretch these jobs as thin as possible. Retailers in Minneapolis, St. Paul, and other cities have divided work in order to double the number employed. For each position they are giving 2 men work for 3 days, instead of 1 man work for 6 days.

They're Looking Longer

A decided trend is evident in the early rush of slow-buying shoppers. It means that people are looking longer, comparing values in one store against another, making careful decisions to insure greatest return for their dollars. Budgeting, too, is evident. Demand falls in certain price ranges from which it can be raised with difficulty. Here is a sensible handling of a problem. Less money is available for Christmas spending. It must carefully be allocated on paper to make sure that all relatives and friends are included—at least, all who are expected to reciprocate.

Last year there was an evident tendency to stick to a certain price: "What have you got for $5?" was a common question. Pressure of continuing hard times has multiplied this type of shopper. The difference is insistence on even lower ranges. Stores are crowding merchandise into the popular categories. Any toy or practical gift that can be brought down to $1 is sure of a demand.

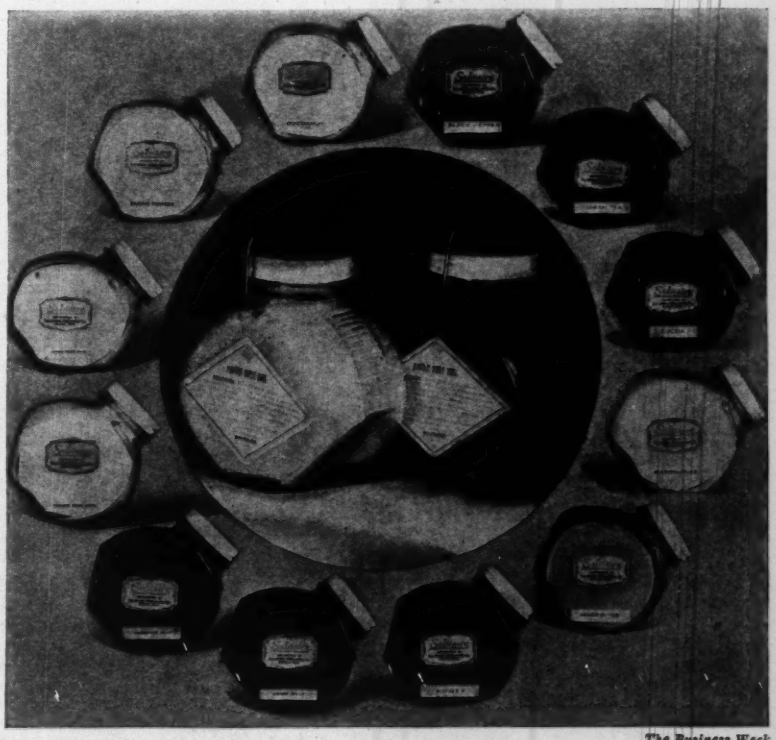
All over the country store advertising plays up the cheery spirit to combat the current reluctance to part with money. But retailers have gone practical with a vengeance. Displays and features that formerly were institutional contributions to the merry spirit are this year expected to return dividends. The Santa Claus which the stores believe in is the one who boosts sales. His pants are just as red, his whiskers are just as white as in the yesteryears, but he may whisper, while kissing a kiddy or a tot, that a swell toy truck is being shown on the fifth floor, rear, for only 98¢.

The realistic attitude is especially noticeable in New York. Windows which in former years held elaborate spectacles to attract lookers, now display priced merchandise to pull in buyers. As in former years, Santa hands out gifts to the kids. The gifts are less expensive and there is also an increasing effort to make visitors part with some of their savings before more important largesse is available. At Stern's children get a free ride on a merry-go-round—if they buy a 50¢ gift package. In Bloomingdale's Lilliputian Village the youngster receives a gift from a pirate ship—after he purchases a 50¢ ticket. Macy's features the Blue Grotto where toy bags are given out—to those who pay 39¢ admission.

It was obvious from the start that this Christmas would see emphasis on practical giving. Promotion is pointed definitely toward selling in all departments rather than those devoted to gifts and novelties. The idea is to get people in on the Christmas appeal, then let them percolate through the entire store. Formerly demand at this time was so exuberant that special pricing and special sales were held off. Not so this year. All over the country stores are staging sales with special price inducements. Christmas tags carry bargain figures.

Strategy or Shortage?

At the beginning of the season there was talk of a shortage in toys caused by delay in ordering by jobbers and retailers. Just how much of this was sales strategy by manufacturers and how much actual dearth will never be known. Certainly there was too much late concentration of buying on some of the cheaper items. In the more ordered world 2 decades ago, many toy orders were placed in February, subsequent requirements appearing soon enough thereafter to enable manufacturers reasonably to spread operations over the year. Last fall many big retailers and



The Business Week

GLASS PACKAGE—Owens-Illinois devised this "Tip-Top" shelf jar. It is used for everything from coffee to peanut butter, may be tipped at an angle for display, easier emptying. Its wide mouth takes a standard Mason jar cap, making it useful when empty. Labels tell the housewife of its re-use possibilities—in preserving fruits, vegetables, pickles; for keeping sugar, cornmeal and the like.

jobbers waited until mid-November to order—a period when normally stocks would be on retail shelves. (Toy makers realize there is no going back, but they now hope to equalize demand by promoting year-round accessories.)

Stocks of toys as well as practical merchandise remain low. Big stores have been canny enough to arrange for replacements as they are needed. Small retail units are taking a chance, believing that manufacturers are so hungry for business they will somehow fill orders.

Low-price chains will be a more important factor during this season than ever before. Not only will lack of spending power draw greater numbers to their floors, but price declines enable such stores to display larger varieties and better goods. Woolworth's addition of 20¢ lines is increasing range of offering and sales. The most effective answer of competitors is pricing for bargain appeal. Some women who can resist a 20¢ article, succumb at once if the price is 18¢ or 19¢.

A Receiver Reports

Irving Trust supplies the figures to prove that the much-debated New York experiment of turning bankruptcies over to a bank has been a successful one. But some lawyers won't be convinced.

ANSWERING attacks by a vociferous group of lawyers employing such epithets as "monopoly" and "heartless corporation," the Irving Trust Company makes public a report on its stewardship as standing receiver in the New York federal district since Jan. 16, 1929. Senior Judge John C. Knox, of this court, was instrumental in turning over bankruptcies to the bank following scandals that attracted nation-wide attention. The report shows that Irving Trust administration of business casualties saved creditors millions, that the bank's direct profit was small. It will be available for Congress which is considering complete revision of the antique federal Bankruptcy Act.

Judge Knox Pleased

Judge Knox vigorously endorses the report and declares that "until there is a demonstration of a better system, I am heartily in favor of continuing the facilities now in operation." The claimant attorneys, being tender about the feelings of a jurist, refer to Judge Knox as to a good man who has been led astray by ardor for a pet theory. There is no reason for pulling punches when they speak of a bank. Henry Ward Beer, president of the Federal Bar Association of New York, New Jersey and Connecticut, is leading the attackers. He became extremely peeved when Charles A. Boston, president of the New York County Lawyers Association, refused to call a special meeting of that body to consider the usurpation of the Irving Trust. Mr. Beer sounds a trumpet call for the lawyers to tell the "good people of New York the facts"; blasts at the Irving Trust as a "monopoly in receiverships" and a "corporate thing, without a heart."

To date, the good people of New York have shown no disposition to rebel against the Irving Trust as standing receiver in their district. In the first place, the average citizen doesn't give a hoot which wins in a battle between lawyers and a bank. In the second place, the stupidest man who ever sat on a jury would know that the emotion is traceable to legal business lost when Judge Knox shunted bankruptcy cases to the Irving Trust. A few with long memories might recall a judicial memorandum, which, when the scandal broke, condemned "the general ignorance of all standards of professional conduct upon the part of many lawyers practicing in bankruptcy."

Just now protestors are studying the Irving Trust report on a still hunt for vulnerable points. The wording of that document shows its framers were fully warned. The charge of monopoly is answered by a citation that Irving Trust has completed 1,680 bankruptcy cases while other agencies completed 7,488 cases. Out of $40 millions of allowed claims, Irving Trust salvaged $5,734,000, its administration cost amounting to $1,774,000, or 30.95% of the net realized. Other receivers and trustees cost 38.77% of the $32,240,000 realized from $176,385,000 of allowed claims. The Irving Trust distributed 56.3% of net realizations to creditors; rival receivers and trustees distributed 47%. "Of every $1 of net realization, 9.3¢ more went to creditors in cases concluded by Irving Trust Company than in the other cases." On this basis, general creditors of bankruptcies not handled by Irving Trust might have received $2½ millions additional had the bank officiated.

As to percentages paid creditors on allowed claims, the average of Irving Trust was close to its rival. Of the total claims, Irving Trust finally disbursed to creditors 4.39% in voluntary proceedings, and 10.67% in involuntary proceedings. Other agencies disbursed 4.09% for voluntary proceedings, and 10.35% for involuntary. Combining of voluntary and involuntary cases is to the disadvantage of the Irving Trust, showing its percentage of dividends to creditors was 8.06%, against 8.60% by other agencies. This was caused by Irving Trust's handling a large proportion of voluntary proceedings, in which a much lower dividend is the rule.

Acme

"STILL TOO HIGH"—John N. Willys, returned to the automobile business, says prices and operating costs must be lowered to fit present-day pocketbooks, promises a new Willys with what the public wants.

Results at Last Shown

For the first time the Irving Trust shows how it has fared in the handling of bankrupts. A large portion of the total were no-asset estates concluded at a dead loss. About 87% of all bankruptcies handled had assets under $5,000, and 90% of this class involved a loss to the receiver. Only 10% of bankruptcy proceedings and only the larger equity proceedings made a profit for the Irving Trust. When the bank accepted the appointment from Judge Knox it had no gauge on which to base its costs. First year of operation showed a loss of $333,000. This has since been adjusted and for the entire period of Sept. 30 a net profit of $75,426 was realized.

To the small profit should be added a large accumulation of good will. Quick and efficient handling of bankrupt assets is likely to impress creditors and

make friends for the bank. Deposits of bankruptcy funds with the Irving Trust over the period covered averaged $8 millions, was 1.6% of total deposits.

Inevitably, Irving Trust used lawyers. One charge in the New York scandals was that bankruptcy cases fell into the hands of a few unscrupulous cliques which made proceedings as expensive as possible for creditors and as profitable as possible for themselves. Under the bank administration, 332 different attorneys or firms were retained, each averaging 11.5 cases.

Automobiles

Detroit swings cautiously into its production stride, output being held to dealer requirements. More new models appear, and bids are made for the smallest-car market.

MOTOR makers winced when they looked at October figures, which showed a production totaling 48,934—lowest since the Department of Commerce has been keeping the records. They took comfort from the fact that October, apparently, is to be the low point.

November production, prodded by the first of the new models, begins an upward slope. December, with more companies entering the lists, is expected to continue the curve.

Beyond December, automobile men are cautious. Even the boldest refuses to build more than enough cars to supply dealers and immediate demand following the shows. Most are waiting for some sign of public buying; last year's brave gesture will not be repeated.

Last week marked the introduction of the new Buick. The 1933 models are noticeably longer and lower. Each of the 3 series is 4 in. longer between the wheels. Treads are 1½ in. wider, too. Bodies are more sweepingly streamlined.

Buick is first of the General Motors fleet to introduce the new Fisher ventilating system. Front and rear side windows are split vertically; the front half working on a pivot, the other half sliding up and down as usual. With perfect ventilation assured, windshields are set in permanently, are thus completely weathertight.

Dodge prices, just announced, are 20% to 25% under last year's, much lower than expected. The business coupe is $595, the rumble coupe, $640. Standard 5 passenger sedan lists at $670, which extends the Dodge potential market considerably.

Plymouth is still turning out 1,200 a day; Chevrolet new models have speeded up production to 2,000 a day, and carefully shrouded Chevvies are now being trucked to dealers for unveiling within a few days.

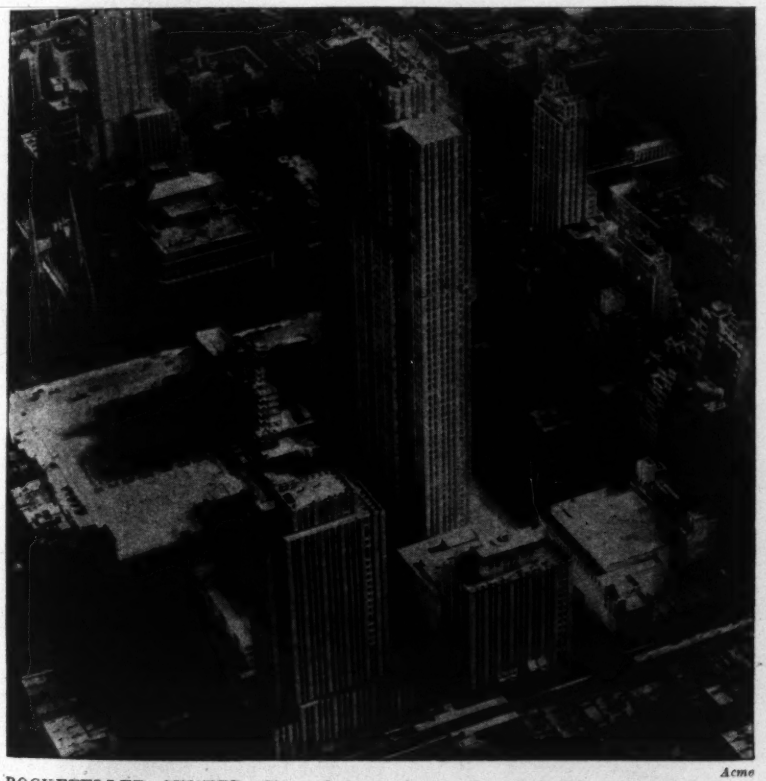
Judging by verbal promises of John N. Willys on a continental tour, and hints from other sources, there is to be a new, cheaper, and smaller small car underneath the present low-priced field.

The promised new Willys, or Overland, or whatever it is to be called, is presented as a 4 at a new low first cost and a new low maintenance cost. Weighing only 2,000 lb., more completely streamlined than any other car, it is said to average 30 miles to the gallon. Production is starting; first cars will be ready for the New York Show.

There is talk, "neither confirmed nor denied," that Montgomery Ward will list a low-priced automobile in its next catalog, to be sold through the nearest retail store.

Sears, Roebuck once tried it, offered a horseless carriage in the early days of the industry, but did not make a go of it. Since then, of course, things have changed. It would be easier, now, with both mail-order houses well established in the service field, with scattered outlets, much experience in tires, accessories, and the specialty selling yet to be really worked out for automobiles.

However, consider it a mere rumor until proved otherwise. Rumors fly thicker and faster as show time approaches. There is even one to the effect that department stores will be offered dealerships for a low-priced car.



Acme

ROCKEFELLER CENTER—Viewed from the northwest is "the greatest private construction job in history." In the center, the 69-story RCA Building with 50 acres of rentable space—more than any of the few taller buildings. Lower left, the 31-story RKO Building; behind it, the enormous International Music Hall. Lower right, the Sound Picture Theatre, which completes the Radio City group. Beyond the central tower, the 6-story British Building. The open space this side of St. Patrick's pigmy spires is the site of office buildings yet unborn.

Building

Rockefeller City installs largest air-conditioning system. Building owners study the effect of inventions on obsolescence rates.

BUILDING owners and managers pondered over 2 widely separated but closely related news items this week.

Their national association announced that a survey covering 1,919 buildings in 44 cities showed an office vacancy of 23.76% on Oct. 1, compared with

22.37% on May 1 and 18.34% a year ago. Highest percentage of occupancy, in the northeastern area, was 77.42%.

To building owners among its readers *Engineering News-Record* reported:

"The largest air-conditioning system in the world, involving more than $1 million, will be installed in the broadcasting studios and the lower floors of the new 69-story RCA Building in Rockefeller Center, New York. . . . It will maintain an average temperature of 70 deg. F. in winter and a maximum of 85 deg. F. in summer. Humidity is to be varied between 40% in winter and 50% in summer. . . . Carrier Engineering Corp. has the contract."

Maxim-Campbell silencers and air filter will be installed in offices in the remainder of the building.

New Today, Old Tomorrow

Rockefeller Center is now renting office space. So is many another building project. Many of them are just as "new" in the sense that the space offered has never previously been occupied. Some of them were completed just ahead of the wide acceptance of air conditioning. No owner would call his building obsolete on that account. But all owners recognize that the rate of obsolescence has been speeded up while they have been waiting for recovery to bring the expected tenants. Some are convinced that even their modern buildings must be modernized if they are to meet this new competition.

Trains vs. Trucks

Rail and highway carriers carry their battle to Mr. Coolidge, agree on less regulation for the trains but not on more for the trucks.

THE battle between the trains and the trucks entered a new phase this week when the Association of Railway Executives and the National Automobile Chamber of Commerce submitted what were respectively offensive and defensive briefs to Mr. Coolidge's National Transportation Committee. Issues became clearer than ever when synopses of these briefs were submitted to the general public. One point that became clearest was that while the railroads are undertaking a prosecution in the rôle of injured parties, the automobile group is maintaining that its appearance in the defense is a case of mistaken identity.

The railroads feel their present plight is primarily a result of the depression, but also due in a substantial manner to competing forms of transportation, including the trucks which "skim the cream" off their traffic. The motor representatives think rail troubles are so much due to the depression that the most stringent restrictions likely to be placed on trucks would bring no marked increase in rail net freight revenues. In support, they contend that the major part of all truck service is on short-hauls that are costly rather than profitable to the railroads and that most of what traffic is competitive with the trains is actually handled by privately-owned trucks which are beyond rate regulation.

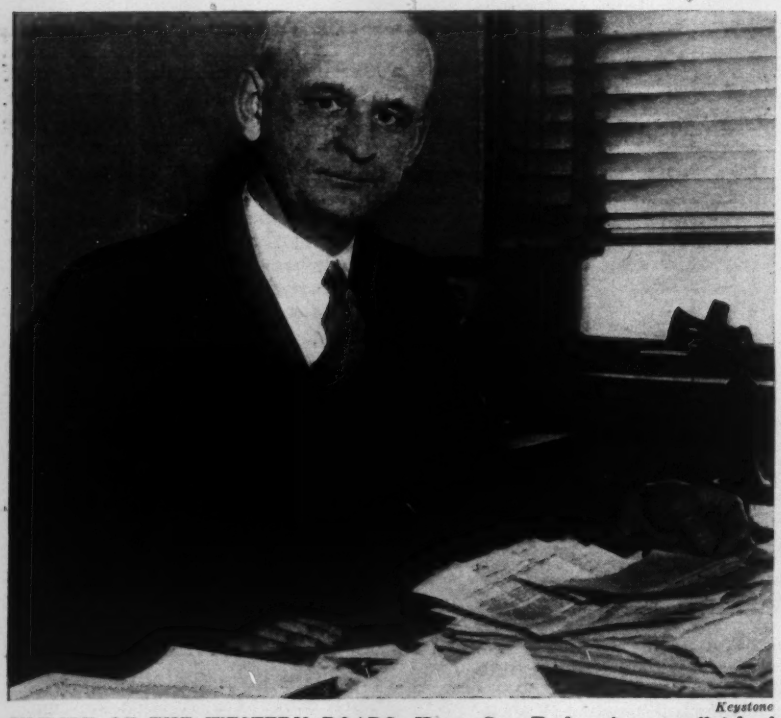
While the railroads want the truck regulated to give them "equality of opportunity," the motor group urges that present regulations on size, weight and speed are all the public wants or the public interest demands—though uniformity of such regulation under the code of the American Association of State Highway Officials is desirable. It adds that rate restrictions on common and contract highway carriers would merely furnish a competitive advantage to businesses served by their own trucks, that attempts to make a very different service equal in cost to the railhead-to-railhead service of the trains are unsound and futile.

The competing briefs diverge quite as sharply as expected on the question of whether the automobile is paying for its "roadbed" as the railroads must pay for theirs. The rail executives offer a statistically supported negative. The highway users contend that special motor vehicle taxes in 1931 paid 92% of current state highway income from state sources after diversions for many other purposes, adding that, as now equipped, trucks do not "destroy" the highways.

Where They're Close

Contrasting with all this clash of opposing argument is the unanimity of the two briefs on the position that railroad regulations enacted when railroads had a practical monopoly on transportation service should be reviewed and perhaps relaxed in the light of the change which has wiped out that monopoly. On this, Point 22 and last of the N.A.C.C. array of "fundamentals" states succinctly that the public interest will be better maintained "by removal of unsound railroad regulation than by the addition of burdens on motor transportation."

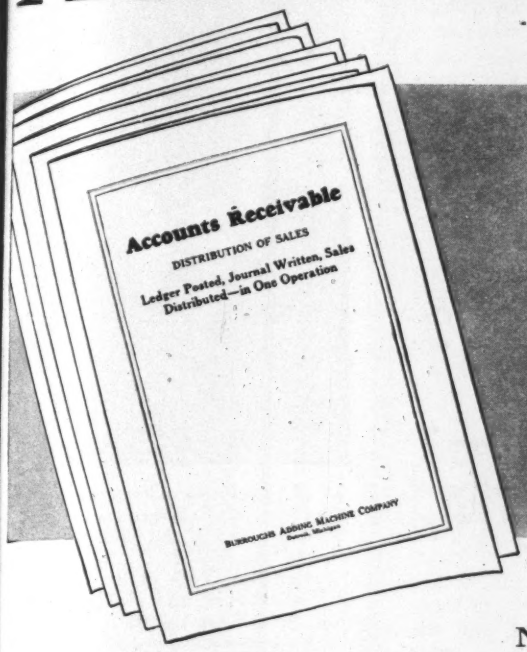
The railroads, of course, had other battles to fight in the same brief. These are indicated in their list of recommendations: That the R.F.C. be empowered to make future rail loans on I.C.C. certification of their soundness without asking security—since the roads have little available collateral left; that the recapture clause of the Interstate Commerce Act be repealed retroactively; that voluntary consolidation be encour-



Keystone

UMPIRE OF THE WESTERN ROADS—Harry Guy Taylor, former official of the American Railway Association, will work to coordinate tariffs and schedules for the lines west of Chicago and the Mississippi.

ACCOUNTS RECEIVABLE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Ledger Posted, Journal Written, Sales Distributed—in One Operation
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aged; that the government get off the inland waterway barges; and finally that Mr. Coolidge and all concerned take note that "the present level of railway wages is unjustified, profoundly injurious to the public interest."

Brakes on Trucks

Texas has found out how to control the contract highway carriers.

IF a state wants to regulate contract carrier trucks, fix their rate limits and even rule them off routes where their competition would impair the efficient service of a satisfactory common carrier already operating, all it has to do is to make it plain that its law is definitely aimed at conserving the highways. That seems to be the point of the decision in which the U. S. Supreme Court has upheld Texas' contract truck law.

Somewhat unexpected because of previous rulings, this first court approval of a method whereby states can control contract, as apart from common, carriers is expected to have a far-reaching influence on state truck legislation. Railroad men, in particular, are pricking up their ears. Railroads are first among the common carriers whose protection the Texas law-makers had in mind. Even the high court took note of the fact that much of the load on the highways has been taken from the trains, suggested that, in this case, saving the railroads is also saving the roads.

E. L. Cord

Aviation Corporation's biggest stockholder becomes its dominant figure through a "compromise"—meanwhile he buys another line.

THEY called it a compromise, but the outcome of the struggle for control of Aviation Corp. looks as if they compromised by letting E. L. Cord win. The board of directors was reduced from 35 (with 4 Cord men) to 17 (with at least 7 Cord men).

LaMotte T. Cohu, representing the Harriman–Lehman Bros. interests, resigned as president, but will remain on the board. The new president is Richard F. Hoyt, of Hayden, Stone & Co., described as neutral in the battle for control, and broadly experienced in aviation as chairman of Thompson Aeronautical and of Curtiss-Wright and a director of Pan American Airways.

Cord, it will be recalled (*BW—Nov 23'32*), started the fight when he learned that Aviation Corp. and North American Aviation were about to merge, on terms which he insisted would have set up a voting trust perpetuating the control of the group then in power. Cord is the biggest stockholder, having been paid in stock for Century Air Lines which Aviation Corp. bought. A proxy battle got as nasty as those things ever do, with each side calling the other names. Pilots took part, being particularly sore at Cord as a wage-cutter. Suddenly peace was announced—but it cannot have been too peaceful a peace, judging by subsequent maneuvers.

Meanwhile, Cord announced purchase of 95% of the stock of Transamerican Airlines, Inc., adding that he would turn it over to Aviation Corp. at what it cost him, if his offer was accepted. Price aside, it looked like a good move for Aviation Corp. Transamerican links Detroit and Cleveland, Detroit and Buffalo, Detroit and Chicago. It therefore gives American Airways a highly desirable connection.

Sugar "Wet or Dry"

Decision that "liquid sugar" must pay full duty plugs what looked like a hole in the tariff.

YOU can't dissolve a cargo of Cuban sugar (tariff rate, 2¢ per lb.) in water outside the 3-mile limit and pass the mixture through the customs as sugar syrup (tariff rate, ¼¢ a gal.) then convert it back to sugar and congratulate yourself on having beaten Uncle Sam out of a fat wad of revenue without going outside the law.

The long-drawn "liquid sugar case" (*BW—Feb18'31; Feb24'32*) has finally arrived at that conclusion in the United States Court of Customs and Patent Appeals. It is computed that a contrary decision would have admitted a 500,000-gal. shipment of sugar now paying approximately $70,000 duty for $1,000 after suitable watering. American sugar growers are much relieved. So is Uncle Sam. Savannah Sugar Refining Co., which made the appeal, is relieved to note that the court emphasized that importation was made to bring a test case, that "the transaction appears to have been free from deception as to any material detail of what was done."

Keystone

TO MAKE JOBS—Thomas J. Watson, president of International Business Machines, and of the New York Merchants' Association, is chairman for Greater New York of the committee on spread-work, and member, too, of the New York executive committee on industrial rehabilitation.

Labor Will Fight

For a shorter work period, for unemployment insurance; against the sales tax and work-sharing. But it is relying more on the strength of its economics than on the belligerency of its convention speeches.

"THERE is no other way. If we are to measurably match production and consumption, wages must go up and the hours of labor be progressively lessened as the only answer to the machine era in which we now live. No program of social or economic reform can hope to attain success that does not embrace this economic truth as the cornerstone of its reasoning.

". . . We therefore recommend . . . the universal adoption of the 6-hour day and the 5-day week . . . with wages steadily increased in keeping with the expansion of productive efficiency . . . as the only means whereby the prosperity of our beloved country can be restored."

Adoption of the resolution briefed in the second paragraph on the premises stated in the first constitutes labor's "depression cure." The prescription was written at the Cincinnati convention of the American Federation of Labor.

For temporary treatment during such periods as the cure does not work—and notably until it gets a chance to work—the consulting doctors of labor economy

ordered unemployment insurance, administered by the state, paid for by employers (*BW—Nov30'32*).

These are 2 of the 3 facts of salient importance to business about a meeting which hid acres of newspaper space.

The third is that William Green's "greatest fighting speech of his career" which so fluttered the industrial dovecots was a command performance for organization consumption, providing the show of fight for the lack of which union loyalties have been weakening. This seems to have been overlooked by pained critics who stated correctly that "This great reform will be given to us in response to reason or we will secure it through force of some kind' did not sound like Mr. Green."

Persuasive Argument

Keener critics found labor's fighting strength in the persuasiveness of its economic argument that, since the machine has cut down the hours of employment necessary to perform a given production job, hours of employment per man must be cut down to make them go around; and that they *must* be made to go around—at greater rather than less pay per hour—if the machine-owner is to find consumption for all that he can now produce. This is labor's solution for what the A.F. of L. report on the shorter work period calls "a problem of plenty."

Another solution would be the absorption of the technologically unemployed in new industries created by, or in the expansion of old ones made profitable by, a widespread rise in the standard of living. Organized labor doesn't believe there is a formula for this, or that recovery will supply one without using an hours-reduction factor. It is also concerned about that extension of leisure-time whose possibilities interest so many economists.

Other Policies

To obtain its ends, the A.F. of L. will work as it has in the past through economic agencies and existing political parties. The Cincinnati convention approved what Mr. Green called "fighting with our entire economic strength" to secure the 5-hour day and 6-day week, turned down proposals to seek a constitutional amendment. It decided to work for unemployment insurance through state legislatures. It threw out the traditional resolution favoring the organization of a separate labor party.

For the rest, the A.F. of L. opposed both the sales tax and work-sharing as "efforts to soak the poor," decided to organize chain-store employees, endorsed old-age pensions, urged the elimination of private profits in munitions-manufacturing, showed its sense of reality by tabling a resolution to tax automatic machinery, and reestablished its purity by digging up the old one against the recognition of Russia.

Here's the Key
that will open this door to new net profits

Behind this door is the wealthy and populous New England market—more than eight million people living within a radius of 250 miles from Boston, the distributing center of the territory.

FACTS — New England possesses 8% of total wealth of the United States, with only 2% of the area and 7% of the population—truly a section of concentrated wealth whose people have money to spend and are ready to buy if you are ready to serve.

THE KEY — A good location is the key to any market. In the case of New England, the Boston Wharf Company offers you this key, a location on its property which is situated in one of the most strategic spots in Metropolitan Boston—just beyond the boundary of the business section and ten minutes' walk from the heart of the city. ¶ Here is every fundamental facility you may need — miles of spur track, wharf frontage, and paved streets. Furthermore, we are ready to construct new buildings or remodel present ones in accordance with your requirements. ¶ Investigate these advantages, without obligation, by sending for our descriptive booklet. Merely clip and mail the attached coupon.

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Technocracy

Little about Technocracy is specific or clear, but it does seem plain that from an interesting, ambitious, and possibly valuable research project, some of its spokesmen with a taste for the dramatic are drawing conclusions that will hardly stand analysis.

"TECHNOCRACY" is a word. It was invented and applied by themselves to a group of professors of engineering, academic economists, practicing engineers, and architects who are said to be directing certain statistical studies of industrial production, employment, and use of power carried on during the past 2 years. It is housed in the department of industrial engineering in the Engineering School of Columbia University.

Who's Who in Technocracy

A complete list of those connected with the organization has not been published, but it is said to have 350 members in all parts of the world, including a free-lance engineer named Howard Scott, who is apparently its leading spirit; Bassett Jones, electrical engineer of Meyers, Strong & Jones, Inc.; Dr. Richard C. Tolman of California Institute of Technology; Frederick L. Ackerman, New York architect; and (when they were alive) the late Charles P. Steinmetz, engineer of the General Electric Co., and Thorstein Veblen, *enfant terrible* of American economics. It has no formal means of identification, and definite information about its membership, activities, and objectives has been difficult for outsiders to secure from those known to be associated with it.

It uses space at Columbia because of the special interest of Professor Walter Rautenstrauch, who is a member. About 100 unemployed draughtsmen and engineers have been engaged by the organization to compile statistics and make charts for the purposes of its studies. These assistants are being paid through the Architect's Emergency Relief Committee of New York, but part of the funds for this purpose were supplied by a number of business men and bankers, whose support was solicited by the organization and who became interested in or anxious about its work.

System, or Folks?

It is not clear whether the word "Technocracy" refers to a social system or type of political organization which is to replace democracy, or is the modest designation of the group of individuals who are to set it up, or a description of their state of mind.

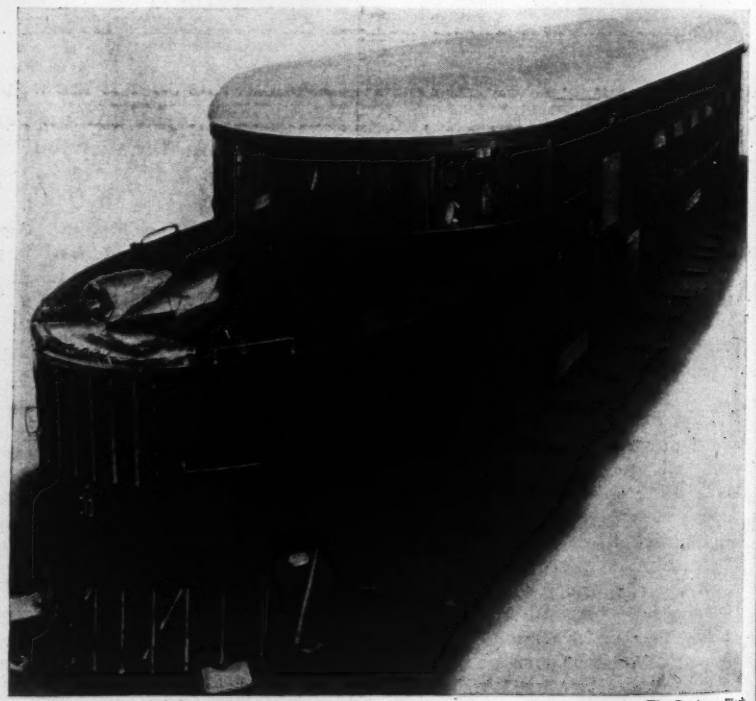
Apart from vague newspaper reports of statements by Mr. Scott, the only extended account of the organization, its activities and ideas has been published in *The New Outlook* edited by Alfred E. Smith. Even these articles refer to "technocracy" as a "somewhat mysterious word" and as an "elusive organization," and the uncertain spelling of technical terms and proper names and the parade of meaningless but portentous professional patter in these articles makes it plain that even the author had a very confused impression of what it is all about; but they attracted attention by bluntly predicting the complete collapse of our economic system in eighteen months, which would be about April 1, 1934.

Apart from the unsupported assertions of Mr. Scott, neither the statistical basis for this forecast nor any explanation of what it means has been made public. The only official information about the character and results of the studies being conducted by the organization so far available is contained in a typewritten preliminary report presented by the group to an organizing committee of business men who were being solicited for financial support.

The specific contents of this document cannot be made public without breaking confidences, but it can be said without qualification that there is nothing in the results of the studies by this organization so far made available that offers the slightest scientific justification for any forecast of the course of economic events in this or any other country over the next few years or for any final conclusions as to the changes that may occur in our economic and business structure in the future.

Valuable Research

The statistical studies being carried on by the Columbia group are undoubtedly important to business men and worth continuing, provided the results are interpreted by responsible people and freely published in official form for analysis and discussion by others. So far, however, the studies have merely served to assemble a mass of interesting but scattered statistical information on the comparative productivity of industry and labor at various periods of the world's economic development, and in various countries, and to raise a number of important questions about our present economic organization which have often been asked before but to which



The Business Week

AUTOTRAM—The aluminum-bodied, gasoline-powered rail car developed by the Clark Equipment Co. (Clark axles, wheels, machine tools) for economical short-haul transportation. It seats 42 passengers, is designed to operate at high speeds on standard rail beds, yet weighs about one-quarter as much as a steel day coach. Windows are double, permanently fixed, ventilation completely controlled. The Michigan Central and New York Central will test it out.

ither "technocrats" nor anybody else s yet given satisfactory answer.

The statistical studies go under the posing name of an "Energy Survey North America," but they are simply series of comparisons of production, ployment, installed horsepower in ecific industries based on census data, milar to those which the Bureau of bor Statistics and other organizations ve published from time to time, ex- nded to a large number of commod- es, other countries and early periods.

An Obvious Conclusion

It is impossible for anyone to check e accuracy of these statistical com- risons, because the sources and meth- ds have not been published. Those at relate to industrial conditions in st centuries when there were no com- ehensive and authentic records what- er, or to other countries where data e still scarce, are naturally question- le. But it does not much matter hether the statistical data are alto- ether complete and correct or not be- use the general conclusion to which ey lead is so familiar and obvious to usiness men as to be bromidic.

All that the elaborate technical umble-bumble of the "technocratic" tatistics shows is the fact that by the e of power machinery men can pro- uce much more per man-hour than ey could by hand labor, especially in e United States. Astonishing as this ay be, it is not unbelievable because any people, from Adam Smith to the ensus Bureau, the Department of abor and the National Bureau of Eco- omic Research, have told us about it any times before. But when the bash- ul business man asks, what of it?, his chnocratic troubles begin.

Not Very New Ideas

He has probably never heard of imon Patten, Veblen, Henderson, oddy, or dozens of other economists nd scientists who have been exploring nd expounding the problems and para- oxes of our capitalistic business system or a score of years or more. He has robably never read a little book called The Paradox of Plenty" by Harper eech published last year in which the hole "technocratic" story of the in- rease in the productivity of modern ndustry and its implications was told n a simple, unpretentious way as a asis for a hopeful view of the immense ossibilities of future human progress.

Disturbed and puzzled by the diffi- ulties of a prolonged depression, he s unprepared when the technocrats umble some obscure mumbo-jumbo bout "energy determinants" and "deci- ion arrivation" over him, pronounce he doom of the "price system" with the portentous finality of a papal bull itself nd sentence him and business to death.

Starting with the self-evident fact of he rapid increase in production per

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These machines are built to wrap products with any of the various materials used to protect quality and freshness—moisture-proof Cellophane, waxed paper, glassine, foil, etc. You can therefore, select for your product the material best suited to its needs

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PACKAGE MACHINERY COMPANY
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"Weed them out!" ... says th

th ard-headed agency space buyer

tunately, it's far easier than it used to o choose the best media for covering icular markets—thanks to the work of Audit Bureau of Circulations and the ous associations of publishers, adver- rs and advertising agencies.

ile it is true that there are some ex- ent publications which do not meet all standards of these groups . . . never- ess, a good many weeds still exist in publishing field.

example . . . the publisher who claims ulation which doesn't exist . . . who not and cannot prove his claims with dence such as that called for by A.B.C. ndards. . . . The publisher who performs worthwhile editorial service for his in- ded audience. . . . The publisher of the e too" paper who lives by begging for hare of the advertiser's appropriation r a stronger paper has established the ue of an advertising program.

re's where any good advertising agency save its clients hard, cold cash. Good son why! Listening day after day to culation stories, and analyzing them, the agency space-buyer quickly picks out the weak points—and the strong. He's expert in comparing circulation with markets and in relating it to trading areas. He's expert, too, in building lists to take into account the duplication that exists among publications.

Of course, an advertiser can do this job for himself—if he puts a specialist on advertising media on his own payroll. But the advertising agency brings to this task "pooled knowledge" gathered in planning many widely different campaigns. It contributes this "pooled knowledge" as an essential part of its service. Certainly, this is one of the reasons why most successful advertisers use advertising agency service.

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Because McGraw-Hill's continued success depends upon the success of its advertisers, we publish this, the sixteenth of a series of advertisements on the value of advertising agency service in the creation of sales-producing campaigns.

man-hour by use of automatic power machinery, these are some of the conclusions to which the engineering jitter-generators have jumped:

First, of course, they forecast the imminent elimination of all human labor in production, with 25 million unemployed in 1934. They say nothing about the fact that present unprecedented unemployment is due to an extraordinary decline and not to an increase in production and that in 1930 there were more people gainfully employed per 1,000 of our population than ever before, in spite of the most rapid increase in productivity per man-hour ever seen in our history during the period from 1922 to 1929. They do not inquire where machinery comes from but assume that machines make machines that make machines, ad infinitum. They ignore the vast shifts in occupations as result of new demands for labor created through new purchasing power released by the increased productivity of labor in old industries.

Some Factors Ignored

They say nothing about the constant demand for labor created by obsolescence of business methods, industrial processes, products, and equipment, under pressure of changing social standards of living, and nothing about the constant shift of workers from the mechanical industries to the service businesses—nothing except to condemn it all as wasteful of natural resources. They say nothing about the possibilities of raising standards of living and demand for industrial products in undeveloped countries, except to dismiss it as impossible because there is not energy enough available—a strange thing for engineers and scientists to say when they know that any day may see new sources of energy opened to exploitation.

Second, they are sure that the development of production by use of power machinery has already been so rapid that we are entering the stage of diminishing returns because our raw material and power resources will soon be exhausted—even in the United States, while the rest of the world is already done for in this respect. Their conclusion is that we can't look for much further rise in standards of living because we are already using up our raw materials and energy as fast as we can.

Consistency—the Jewel

This may seem inconsistent with an anxiety about overproduction due to indefinitely increasing productivity, but not to a "technocrat." To him we are bound to suffer anyway whether we have too much energy or too little, so long as we don't use it according to his specifications.

Third, since production will increase and employment decrease in spite of the depletion of our energy and raw material resources it will soon be impossible to sell products and service at any price and make a profit and pay debt charges. We shall have to find some way of distributing products and services other than the present methods of paying wages, dividends, interest, and rent to people by which they can buy the product at a price. This is what is meant by saying that the "price system" is doomed. Things are getting so plentiful that they must be given away to everybody on an equal basis.

Ancient Adjustments

Of the possibility of bringing wages and prices into adjustment so as to expand purchasing power, or of writing down or writing off debt burdens, or of improving the organization of industry, or of doing any of the things that somehow always get done in the capitalistic system through the booms and depressions by which it has wobbled its way along—of all the self-adjusting processes by which the world has managed to survive, "technocracy" says nothing except that they are of no use this time.

Finally, they say that whatever substitute is devised for the price-and-profit system, it must be one based upon scientific control, planned on a national scale and operated by technical experts. Human nature must have nothing to do with it; human desires, human behavior must not be allowed to interfere. It is too complex, too delicate, too speedy to be bothered by mere human beings. The laws of physics must be the sole and supreme law of the land. The system of government must be designed by scientists and engineers, and administered by a kind of Technocratic National Committee. "Technocracy" is of course already designing the engineering utopia. In fact its essential purpose is to prepare the complete plans for the Almost Perfect State. It may be surmised that the boys up at Columbia expect to get the contract for the blueprint and specifications, and the most important cabinet positions as soon as the great technocratic landslide occurs.

What they will do about politics, fashion, fun, and other persistent human dispositions and frailties remains to be seen. Probably just ignore them.

Medical Business

Sickness costs too much yet physicians earn too little. Experts suggesting reforms take a leaf from industry.

BUSINESS men who deal with industrial medical service and workmen's compensation laws scanned with closer interest than the general public the final reports in which the 48 experts of Dr. (and Secretary of the Interior) Ray Lyman Wilbur's Committee on the Costs of Medical Care summed up last week the conclusions of 5 years of research and study.

Their attention was attracted particularly to the majority report in which 35 committeemen recommended application to medical practice of the basic business principles of mass production, consolidation, and standardization. Keystone of the structure proposed therein is the development in each city of one or more hospitals into a community medical center manned by organized groups of physicians, nurses, dentists, pharmacists, etc., prepared to provide complete health service in return for payment of a monthly fee or insurance premium. Estimated cost, $1.50 to $3.25 per adult wage-earner per month. Eight of the signers thought that compulsory health insurance must come eventually as it has in most European countries, urged it immediately for at least the low-income groups. The general recommendation added that tax funds might have to be drawn upon to provide for the poorest patients, but stated that none of its provisions should preclude continuation of the individual payment per "visit" for those who preferred the present method.

Chief among the minority reports and personal statements, whose inclusion suggested comparison with the divergent conclusions of the Wickersham Committee, was that in which 9 members damned the majority's approval of "the corporate practice of medicine" through 32 pages. As a substitute—or a gesture toward one—it offers the county medical society plan setting up a common fund under control of the participating physicians to meet costs beyond the patient's means. This report, urging united efforts "to restore the general practitioner to the central place in medical practice" and demanding that governmental activities in medicine be confined to care of the indigent and promotion of public health, has the blessing of the American Medical Association.

The majority report holds its proposals promise a better living for the medical profession as a whole. Noting that "medical costs which are too high for many families do not necessarily mean high incomes for practitioners," it puts the physician's average income for 1929 at $5,300, the median income at $3,800, states that for every specialist earning over $10,000 that year, there were 2 general practitioners making less than $2,500.

Trouble in Paradise

Britain's government-controlled oil concession in Persia is threatened by the Shah, who demands a large share of the returns.

BRITISH tankers are still steaming up the Persian gulf and loading English-drilled Persian oil—crude and refined—at their private docks near the mouth of the Tigris–Euphrates rivers. And British engineers are still supervising the flow of oil more than 100 miles away in the desolate wastes of southeastern Persia.

In lofty Teheran, however, the Shah of Persia (whose fabled riches are greater than his actual cash reserves) has said that Persian oil will no longer flow into British pipelines unless there is a readjustment of the 31-year-old working contract "based on the rights of both parties." In London, the price of Anglo-Persian Oil shares dropped, and Ramsay MacDonald convened his cabinet in special session to see what could be done about the blunt note from the Shah.

Government Is In

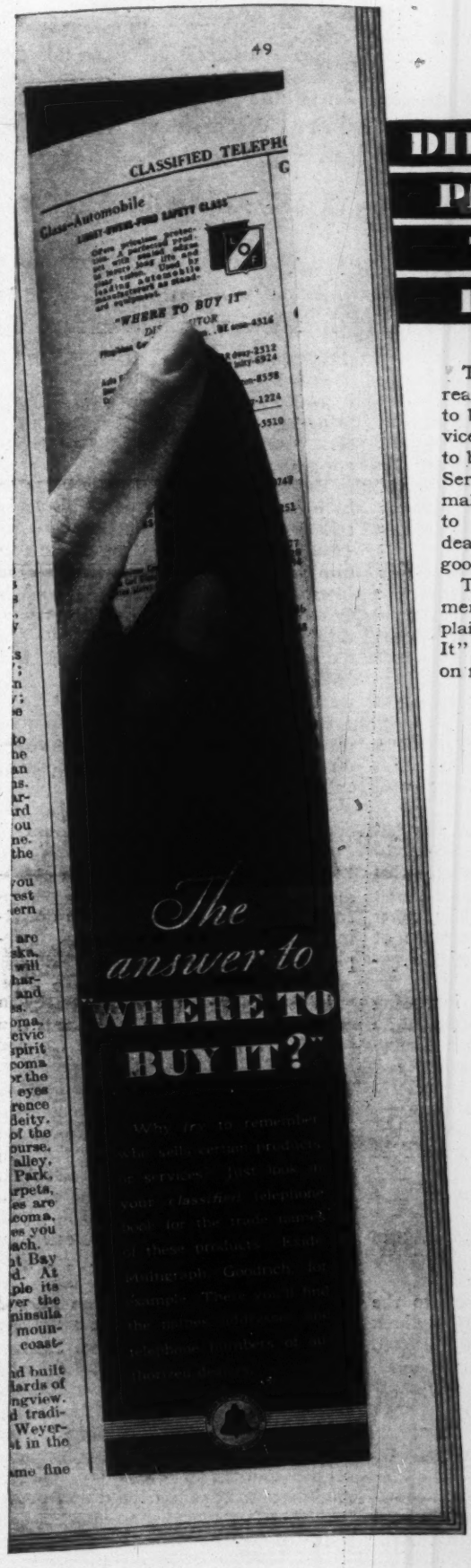
It is a ticklish situation. In the first place, the Anglo-Persian Oil Co. is no common organization. Besides being one of the world's great oil producers, it is an instrument of the British government, which owns a majority of its shares.

In the second place, the concession in Persia was sought by the British because various admirals in the past foresaw the importance of oil to the British navy. To protect India and the British possessions in the Far East, it was deemed necessary that the country control a convenient source of oil "beyond Suez." The Persian wells were producing richly under a private British company. The events of 1914 forced a decision. Britain bought a controlling interest in them. Since last week, it has looked as though possession was much less secure than had been expected.

Royalties Have Dwindled

London and Teheran differ on the reason for the move by the Persian government to cancel Britain's 60-year lease before it expires. The British declare that the Persian government is in need of more revenue. Royalties on oil have in the past bulked large in the revenue flowing into the national treasury. In the last year or two, they have dwindled, as have most other revenues feeding almost any treasury. The British contend that Teheran is simply passing the buck to Anglo-Persian, and taking a particularly nasty way of doing it.

Teheran denies this. The young Shah is particularly aggressive. He has made numerous reforms since he came to power a few years ago. He has



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resented foreign concessions. The Anglo-Persian concession was granted originally in 1901 to a bold British adventurer—William Knox D'Arcy—for a reputed $20,000. For this cash settlement, plus royalties, D'Arcy got exclusive rights to exploit petroleum, natural gas, and asphalt for 60 years over 500,000 square miles of Persian territory (all of central and southern Persia).

Wholly in keeping with the new spirit of nationalism in Persia, the government claims it has been seeking for some years a revision of the contract with the British. The present ultimatum, it is claimed, became necessary when previous demands failed to bring about a satisfactory settlement.

British interests support their contention with the statement that royalties to Teheran increased from $2.3 millions in 1920-21 to $5.13 millions in 1926-27, dropped last year under the influence of curtailed output and depressed prices to less than half a million.

Quote Churchill

Persians answer this argument with facts. They point to Winston Churchill's own statement that "within 10 years after the government had purchased control of Anglo-Persian for $11 millions, it had profited to the extent of $200 millions." Profits in 1926-27 alone were estimated at $23 millions. Teheranites claim the Persian oil fields have proved to be a paradise of profit "for the British."

It is extremely doubtful that the Persians mean to carry out their threat of cancellation. It is highly probable that they will do everything in their power to win a larger share in royalties, either by demanding a larger percentage of profit or by a readjustment of the system of accounting.

This newest sign of increasing nationalism has caught the British at an unhappy time. War debts are occupying major attention in London. But also causing worries are the ubiquitous outbreaks in India, the stubborn resistance of the Irish to payment of annuities to London, the demands of Canada for trade advantages as a price for cooperating within the empire. This preoccupation with family affairs no doubt gives outsiders the temerity to voice their demands.

It's an Epidemic

The plague is not confined to the British. Chile, deflated as her outlook is just now, is stubbornly working to break foreign control over her economy. Mexico has more or less successfully broken the control of foreigners over her mining interests, though the results so far have not been very profitable to Mexicans. Japan has seized the time when the rest of the world is preoccupied to round out a long-contemplated imperial domain in continental Asia. All this gives concern to American holders of foreign concessions.

Britain attempted at Ottawa to work out a plan for closer cooperation with the empire. It demanded concessions all the way around. No doubt the job is only half completed. It is time no to consider those outsiders most in mately connected with British econom Persia has simply added her uniq claim to those put forward by the Dan and the Argentines.

Spain Wants Spanish Telephone

Under the old Spanish monarchy, Americans won a tel phone monopoly in Spain. The new republic resen the idea, wants to cancel the contract. Governments ar involved in the controversy.

REPUBLICANISM in its infancy is likely to have small respect for anything very closely associated with its predecessor governments.

The new Spanish republic wants to have no respect for a telephone contract which the Alfonso government (really the Primo de Rivera dictatorship) made in 1924. Involved is the International Telephone & Telegraph Co.—and the popular government now sitting in Madrid. Also involved are the state department at Washington and $65 millions of American money which went into the concession.

In 1924, the Spanish government—which meant the Rivera government—granted a concession for the "creation and operation of a general telephone service extending through continental Spain and its contiguous territories." Compañia Telefonica Nacional de España was formed as a Spanish corporation to develop the system. Telefonica, however, was simply the operating company for International Telephone & Telegraph.

A New Deal

In April, 1931, the old monarchy in Spain collapsed when Alfonso XIII fled by night from Madrid. The republic began to function the following day.

In February of this year, the Spanish parliament—young but efficient—listened to a bill through which one of its members proposed making the telephone contract illegal and subject, therefore, to annulment. Action went no further at the time.

A few weeks ago, jingoist members of parliament suggested that it was time something definite was done about the bill. Telephone interests were warned to get busy if they wished to make any defense. They declared their contract was secured legally, that they were ready to listen at all times to any complaints on service the company was rendering, that they would even consider with the proper authorities certain modifications of the contract to which the republic might especially object. But they promised to resist cancellation of the contract—to the last ditch.

To all of which Spanish diplom listened, though outwardly as unwillin as ever to give up their plan.

Then Washington intervened, d clared that it might be necessary withdraw the ambassador to Spain the Spaniards insisted on breaking the contract.

Whatever the outcome of the co troversy, there are several factors whic should not be overlooked.

In the first place, this is but on

International N

"CONGRATULATIONS"—Sir John Cadman, chairman Anglo-Persian Oil Co., told American oil men their industry had made great progress in the cooperation which put the world oil business on a firmer basis than any other. The Persians, however, have stopped cooperating to demand a larger share of the royalties.

more indication of a revival of extreme nationalism in a number of new states, and in every case it is affecting foreign interests which had been operating there under contract. Soviet Russia was the extreme example. The new states created at Versailles were too dependent on certain powerful nations in their early years to attempt to shut out everyone. Weak neighbors usually suffered. Lately, Latin America has swung into the full tide of extreme nationalism. Persia's recent thrust at British oil contracts is due to the same impulse.

Spain's young republicans have shown no unusual fondness for us. Trade between the 2 countries has long favored the United States. When tariffs were revamped (almost the first act of the republic), this country was among the sufferers, got small consideration because she had no most-favored-nation treaty with Spain.

Spain claims that what monopolies are allowed in the country must be under control of the government. Foreign branch plants are beginning to wonder how soon they are likely to run into difficulties.

Spanish credit is likely to be weakened if the telephone contract is flatly cancelled. This means little in New York where Spain has seldom come for loans. As far as Paris is concerned, it is believed generally that the French and the Spanish have in recent months been drawn more closely together.

Perhaps the most significant outcome is the effect that cancellation would have on the sanctity of contracts. At a time when moratoria are the order of the day, when debts private and public, large and small, are being defaulted, it is easier to broach the subject of contract adjustment or nullification without drawing the opprobrium of the rest of the world. But the practice has alarming boomerang possibilities.

"Buy American"

"Buy American" took a decisive turn in New York recently. The city's Board of Estimate some time ago heard a resolution to bar foreign steel in all city contract work. This week it decided to sustain the proposal. City building is being rushed just now as one means of offering relief to the unemployed. More unemployed will be given jobs, it is reasoned, if the steel is home-made.

New York does not stand alone, though few other cities have completely ruled out all imported products. Philadelphia and Los Angeles are as decisive. Boston's sewer division engineer told the Public Works Department in that city that "we will specify that all structural steel shall be manufactured in the United States."

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LONDON PARIS BRUSSELS LIVERPOOL HAVRE ANTWERP

Business Abroad

Europe is not likely to pay war debts according to any unified plan. France is most antagonistic. Britain will pay. Germany views new government favorably. Latin America is revising exchange quotas.

Europe

EUROPEAN NEWS BUREAU (*Cable*)—Americans who are following the debt controversy in Europe must have some strange reactions to the contrasting come-backs of the various European debtors. Certainly the stubborn resistance of Washington's lame duck congress is interpreted variously over here.

The British are probably the most sympathetic to the American demand, though the Britisher is pretty well aware of the fact that if the December payment is made it will be the last. And if Washington is going to continue to demand payment, London might as well default now as later and save the $95 millions. But London is likely to pay—somehow.

France looks on the demand for $19 millions this month as an outrage. The Frenchman considers that America virtually promised to end debts when Europe, at Lausanne, gracefully ended reparations. For Washington now to ignore this fact is nothing less than insult to the French. France probably will not pay.

Other debtors will follow varying courses. Italy has made plans to pay one more instalment. Belgium will be hard hit if she makes her payment. Most of the small debtors are waiting to see what the big fellows will do. It looks now as though all sorts of conditions will prevail after Dec. 15. Some will pay to New York, and transfer their payment in full. Some will pay but will probably not transfer the payment in order to protect their foreign exchange. And some will simply default. Congress is pretty sure to be faced with a nasty problem.

Franc Is Weak

Exchanges are unsettled by the prospect. Sterling moved erratically up and down, seems finally to be steadier. The franc caused the most concern, as the one great stable gold standard exchange besides the dollar. Exchange moved against the franc quite generally. Against dollars, the franc touched the gold export point. Gold shipments are likely soon.

Commodities were uneven though quite generally they failed to lose ground. Copper and silver were the exceptions—both touching all-time lows. Copper's weakness was due especially to uncertainty over the outcome of conferences in New York. Some authorities were inclined to expect the demand of Roan Antelope for a larger quota in 1933 production to be resisted by other members and finally to cause the whole plan for restriction to be dropped. Others were less pessimistic, looked for the production curtailment plan to be continued with only slight modifications. Sugar prices improved slightly on reports from The Hague that world conferees had reached an agreement for 1933 output. Tea is likely to go under some restriction plan soon.

Spain's move to throw out the American telephone company holding a monopoly from the old monarchist régime (page 21), and Persia's threat to cancel Britain's oil concession both stirred international interest. Europe is full of worries caused by recently increasing extreme nationalism. Business is aware that many of its troubles can be traced to this source.

Economic conditions are relatively good in the Scandinavian countries. Members of the so-called "Oslo conference"—Norway, Sweden, Denmark, Belgium, Luxemburg, and the Netherlands—met recently at The Hague to formulate policies they will back at the coming world conference. Some people foresee in the conference a plan for a firm united front against Britain.

Germany is in a better position this week with a popular new cabinet in control and business revival continuing. The British outlook is only fair. In France, there are economic troubles ahead.

France

While 2 harried premiers talk debts, French business speculates on what is likely to happen.

PARIS (*Wireless*)—It was a stern pair of premiers who stepped from the Geneva train in Paris this week. Herriot, determined, and MacDonald, very tired, no doubt had talked war debts on the shores of the famed Swiss lake, though they were not on the formal agenda of that meeting.

Not until they had conferred in Paris could they talk for publication. Included in the Paris conference was Britain's busy Chancellor of the Exchequer, Mr. Chamberlain. Confronting the trio as well as the advisory representatives of both countries at the meeting, was the almost certain prospect that the lame duck Congress meeting in Washington would not solve their problem by postponing the Dec. 15 payments.

Wide World

AND STILL MORE GOLD—When the £ drops in value, Britishers unearth slowly-accumulated hoards of gold coins, sell them for more £'s than they cost. Birmingham jewelers ran into a new "gold rush" last week when the £ dropped to record lows. Here is one Britisher's hoard of 2,000 sovereigns being weighed-in.

A check among a few of the leaders of French business who were in Paris this week, brought out these interesting points of view:

"Watch Washington"

France and England would like to avoid the appearance of working too closely together. The idea of strong Franco-British action is anathema to the American Congress, and people over here are aware of it. But Britishers and Frenchmen know that there is a real reason for close cooperation just now. France owes the United States only $19 millions in December, but if this amount is paid, it is stipulated in the agreement with London that the French pay the $40 millions they owe the British next spring. It may be forgotten by some Americans that the French owe war debts to both New York and London, while the British owe only to New York.

Herriot alone is not likely to make the decision. He can't. His government would fall if he decided to pay. So he is expected to put the problem up to the French Chamber. If they refuse to pay, even conditionally, it is still possible that the Herriot cabinet will fall. But it is also possible that Herriot will be asked to form a new government which would, as a matter of course, accept the French default likely to have taken place during the interval between the fall of the old government and the formation of a new.

Franc exchange, meanwhile, is depreciating against the Spanish peseta, the German mark, the Dutch florin, the Belgian belga, and—most drastically—the American dollar. The franc, in fact, has dropped below the gold export point against the dollar and it is rumored in Paris that ships sailing at the end of the week will carry gold to New York.

Against this possibility is the argument advanced by the more financially minded of those who expressed opinions on the situation that few banks—either French or foreign—would risk shipping gold just yet because of the intense feeling against the United States over the debt question. Not until there is greater profit in the transaction is much French gold likely to leave Paris.

Gold Standard Tottering

Just here is the most significant speculation (and it is from good authority). If the dollar moves further against the franc, so that it becomes more profitable to ship gold to the United States, even the Bank of France is likely to do so. This would stir already rankled French feelings to the breaking point. Paris believes that Parliament would refuse to allow this movement to assume any significant proportions without clamping on export restrictions. Though this would technically throw France off the gold standard, it is considered more important that it would weaken drastically the advantages (if any remain) of maintaining the gold standard. (Obviously this means that the United States, the last stronghold after France, might be forced off gold.) "And then," concludes the sarcastic Frenchman, "there will be a real need for an immediate world economic conference to climax the Hoover administration."

Beyond the debt question, business men are talking of little else. Every line, excepting possibly textiles, is slack, though officially employment is fairly stable. As soon as Dec. 15 passes, other matters will receive attention.

Great Britain

Sterling exchange, and stock market prices, erratic due to uncertainty over war debt payment. Holders of oil stock less worried on assurances government will deal firmly with Persia.

LONDON (*Cable*)—Because Britain herself is still a great creditor nation, the British all week have been concerned with negotiations between London and Washington regarding the war debt settlement. Beyond the assumption that Britain will pay, the City has revealed little of its private thinking on the matter. The Treasury view has been that as default must come either now or in June, it had better come now. The official political view is that there should be no talk of default until it was definitely known that there could be not even eleventh hour postponement.

Anti-U. S. Tariffs

Talk of anti-United States tariffs should not be misconstrued in New York and Washington. There is no desire on the part of the Britisher to retaliate for retaliation's sake. But it is increasingly believed by the average citizen that the only way Britain can make up for the December payment is to raise the new tariff wall even higher, make the country more dependent on itself. Any such increase would hit the United States as much as any other nation, for, outside the empire, Americans have been among the country's largest suppliers for a long time.

Internally, the country is less shaken by the serious financial developments of the last few weeks than many an outsider must expect. There are still a few scattered signs of industrial improvement. Automobile output, for example, was greater in the year just closed than a year ago. Textiles report some increase in output. Industrial profits in October (recently compiled in the *Economist*) show a rise of 19.99%, in contrast with a decline of 15.69% in September. Breweries have been hit by the new beer tax. Profits of 5 repre-

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sentative companies, in the compilation, showed a drop of 16%.

Last week's flurry in oil stocks has been pretty well dissipated by the reassurances from the government that the Persian threat to break a contract will be dealt with boldly. Nevertheless, there is some anxiety among executives whose companies control large foreign interests outside the empire. Even the necessity of revising the terms to meet the demands from newly nationalistic Persians has its unfortunate aspects (page 21).

Germany

New cabinet meets with business approval. Plan for winter political truce in Reichstag improves outlook for continued recovery. Industry more active; stocks in demand.

BERLIN (*Cable*)—German business had its finger in the political pudding this week, is naturally pleased with the result. The new presidial cabinet under von Schleicher meets with almost universal approval among leaders. And the plan for a political truce by the Reichstag gives new hopes that recent recovery plans will continue to operate through the winter.

Selection of the cabinet occupied first attention all week. After the long period of negotiations between determined old President von Hindenburg and each of the various political leaders (including, importantly, the radical Hitler) reached a seeming deadlock, and when it looked as though the Reichstag would be ordered dissolved before it even had a chance to meet, "big business" entered the political scene and began to exercise strong pressure on all parties concerned. It was the contention of participating executives that a new election (which, incidentally, would not have changed the relative strength of the parties materially, except that the Hitlerites probably would suffer further losses) would unavoidably nullify the incipient recovery evident for several months, and thus only bring more misery and hunger in the coming hard winter.

Krupp in Limelight

The chief actor in this offensive of business against politicians was Herr von Krupp, who is serving his term this year as president of the powerful National Manufacturers' Association.

These business leaders, acting under Krupp guidance, propagated the idea of a winter truce in politics. The Reichstag would adjourn voluntarily, while the new presidential cabinet would promise not to change materially the political status quo and, importantly, would not pursue the plans for constitutional reform recently formulated by von Papen.

Acme

TWICE CHOSEN—Captain Hermann Wilhelm Goering, ardent Hitlerite, for the second time in 3 months has been elected president of the Reichstag, German house of representatives.

These are some of the interesting sidelights leading up to the announcement that von Schleicher—really the strong man behind the von Papen government—had formed a cabinet and would attempt to guide a German government through the winter.

While von Schleicher's administration will inevitably be dictatorial in character, it should be realized by those not familiar with his background that it will surely be more democratic than the von Papen régime. Von Schleicher is not surrounded and influenced by a "baron's clique" as von Papen was. On the contrary, he is known to be on very friendly terms with trade union leaders without regard to their political orientation, and the socialist trade unionist—Leipart—was one of the first persons he consulted when urged to form a cabinet.

Of his policies, all that can be said now is speculation based on close observation here in Berlin. Certainly he will drop von Papen's unfortunate plans for constitutional reform which had no chance whatsoever to be carried through except by a coup d'état. He is likely to back some moderate credit expansion policy for financing public works, but here it must be remembered that Dr. Luther is still at the helm of the Reichsbank and that he is antagonistic to any but the sanest of experiments. The problem of import quotas will probably

be dropped though Germans rather expect some revision of the trade treaties with France, Sweden, and Yugoslavia which will allow higher tariffs on such agricultural products as lard, fruit, and lumber. Most important, he will concentrate on job-providing schemes. It is the promise of this which won for him the whole-hearted support of the trade unions.

Confidence that von Schleicher is the man to head German politics in the coming difficult winter sent securities to new highs for the year as soon as it was announced that he would become chancellor. It must be admitted, however, that even a small improvement in domestic demand for securities is likely to force prices up rapidly because of the shortage of shares since companies have made recent drastic capital write-downs. Bond prices remained almost unchanged.

Industrially, the increase in production, evident for several months, continues. It is so small as to be negligible in some industries. In others, it has become very encouraging. In all, the picture is generally brighter than in most European countries. Both the heavy and consumers' industries report further small gains this week.

Far East

Japan openly active in Manchukuo despite new protest to League from small countries. China builds aluminum plant.

POLITICAL developments in the Far East this week overshadowed economic news. Japan's drive in Manchukuo to free that country of vagabond Chinese soldiers who are supposed to be carrying on organized robbery renewed the possibility of Soviet tension. It is generally believed, however, that Japan will move cautiously when troops reach the Soviet border and that Tokyo and Moscow state officials are in close touch with each other.

Next in importance is the renewed attack on Japan's position in Manchukuo by the "small" member countries in the League of Nations. There will probably be no immediate results but business is very much concerned over the final outcome.

Economically, the continued weakness of the yen is the outstanding development during the week.

Reports from China indicate that new construction is continuing in Shanghai. Included is an aluminum rolling mill which is expected to supply China's requirements for foil sheets. The plant is incorporated under Swiss laws, with capital controlled by Canadian, British, and Swiss aluminum interests.

Markets in South China are featureless with the tone generally pessimistic. Boycott activities against Japanese goods continue throughout this area.

Latin America

New provisions made in several countries for allotting foreign exchange. More Argentine demands for debt relief.

THE distribution among creditors of foreign exchange in a country where it is scarce should be a matter of business principles. Actually, there has been some controversy of late over the belief that in some countries, certain creditors have received more than their share of delinquent payments because of "political pull."

Uruguay has taken definite action to avoid any such accusation. Quotas have been established and announced to all creditors. To service the country's foreign debts, and to remit on commercial bills, these definite amounts have been set aside: Great Britain, 19 million paper pesos; United States, 7 million; Germany, 5 million; France, 4.25 million; Italy, 3.7 million; Belgium, 2.3 million. Quotas were established on a basis of recent trade with the countries involved and will be maintained unless trade in the coming year drops below last year's level.

Foreign firms dealing with Brazil have asked the government at Rio de Janeiro to make a similar arrangement to meet external bills. The United States, in particular, is asking that a larger share of American bills be given preference because of the large volume of American purchases in Brazil which provides the country with plenty of dollar exchange. It was pointed out by Americans that the British are receiving larger payments out of Brazil because the country is still meeting service charges on industrial loans while government issues are largely in default. The British hold more commercial bonds, Americans government bonds.

Argentines Want Leniency

A further threat of default has come from Argentina. The provinces of Buenos Aires and Cordoba are asking for moratoria and interest reductions on their bonded indebtedness. British, French, and American bankers have been approached, but no agreement has been reached. The city of Tucuman is also asking for relief.

Colombia's arrangements to pay current commercial bills have caused some confusion in the United States because of conflicting reports of the terms. It is now learned that Bogota has applied its moratorium only on those obligations incurred between 1925 and the middle of 1931. Current bills will be honored promptly.

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The Figures of the Week

Construction is the peg holding up the business picture. Steel outlook clouded as automotive consumers slacken their pace. Electric power production made a poor recovery after the holiday. Carloadings influenced by Thanksgiving, but hold up well compared with 1931.

STEEL ingot production in November declined slightly from the October fall peak of 19% of capacity to about 18%, a tonnage drop of nearly 5%. Total production for the first 11 months of 1932 equals 12¾ million tons which is but half of last year's output. Pig iron lost about 2% in the same period. The year's tonnage will probably reach approximately 8½ million tons against more than 17 millions in 1931. Toward the close of the last month, there was a further easing in the operating rate to approaching 16% as the last major consumer of the steel industry, the motor manufacturers, lessened its requirements. Outlook for December is obscured by the reports that some plants intend to operate for the sake of stimulating Christmas cheer among their employees, while other will exert their efforts to keep inventories low.

Motor production in December, however, is fairly certain to outstrip November, leaving October the low point of the year and of the depression. Chevrolet has begun assembling the 50,000 cars scheduled for the month. Plymouth is maintaining its 1,200 cars a day rate. Ford continues to withhold definite information concerning his program, limiting himself to a promise of "something new." Meanwhile, assemblies at Louisville, Ky., and Oklahoma City have ceased. Complete inactivity is reported for more than a half dozen other motor producers, many of whom may not begin operations until January.

R. L. Polk reports the final registration data for October showing a 0.7% gain in commercial vehicles compared with September (15,156 against 15,050), while passenger car sales numbered 63,195 against 81,893, a decline of nearly 23%. The million mark in passenger car sales was passed in October, the 10-month total being 1,006,358. Production of such cars in the United States during the same period totaled 1,001,453, indicating how closely production has been kept in line with sales. In the same period of 1931 sales amounted to 1,754,748 passenger cars, while production totaled 1,822,117.

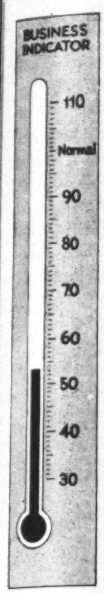
Railroad Orders

Rail buying continues light. Domestic freight cars ordered in November totaled but 2, following none in October. To date, some 1,689 cars were ordered against 9,683 in 1931. New cars placed in service by Class I roads in the first 10 months of 1932 aggregate 2,799 against 11,891 in the same period of 1931. Some 37 new locomotives were put in service this year against 114 last year. Directors of the Santa Fe have authorized the purchase of 26,484 tons of rails, which comes as a pleasant surprise amid the abundant evidence of curtailed railroad buying.

Tin plate departments are operating at an average of 45% of capacity, according to *Iron Age*, with isolated instances of considerably greater activity. Few contracts for 1933 have been signed as yet, in spite of the recent price reduction. But estimates for next year's

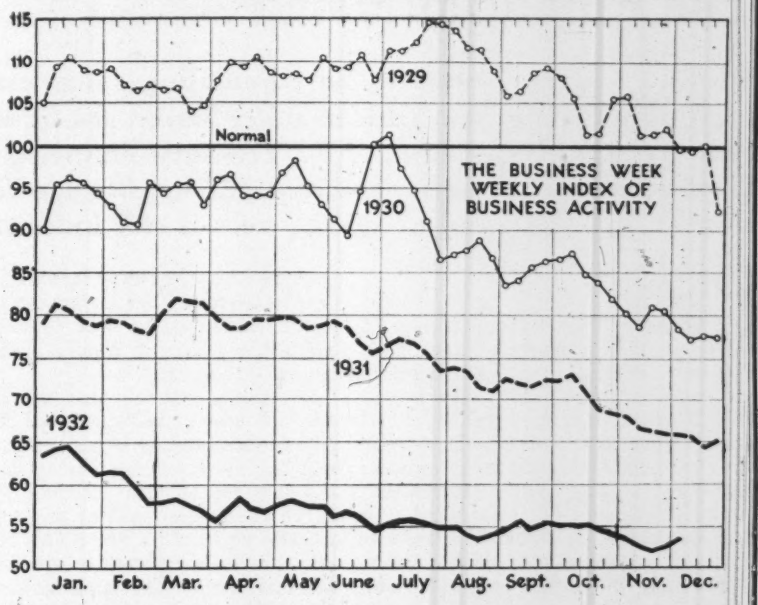
THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	Latest Week	Preceding Week	Year Ago	Five-Year Average (1927-1931)
	*53.4	†52.9	65.8	
PRODUCTION				
Steel Ingot Operation (% of capacity)	17	16	26	56
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$4,302	$4,190	$8,134	$14,438
Bituminous Coal (daily average, 1,000 tons)	*1,309	†1,299	1,261	1,670
Electric Power (millions K. W. H.)	1,510	1,475	1,671	1,687
TRADE				
Total Carloadings (daily average, 1,000 cars)	94	96	106	146
Miscellaneous and L. C. L. Carloadings (daily average, 1,000 cars)	60	61	71	93
Check Payments (outside N. Y. City, millions)	$2,368	$2,663	$3,605	$5,078
Money in Circulation (daily average, millions)	$5,654	$5,636	$5,528	$5,001
PRICES (*Average for the Week*)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.42	$.41	$.54	$.99
Cotton (middling, New York, lb.)	$.058	$.059	$.061	$.148
Iron and Steel (STEEL composite, ton)	$28.91	$28.91	$30.47	$33.90
Copper (electrolytic, f.o.b. refinery, lb.)	$.049	$.050	$.063	$.129
All Commodities (Fisher's Index, 1926=100)	60.2	60.5	67.6	86.9
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	$2,208	$2,205	$1,945	$1,585
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$19,002	$18,933	$20,856	$22,141
Commercial Loans, Federal Reserve reporting member banks (millions)	$6,125	$6,118	$7,543	$8,739
Security Loans, Federal Reserve reporting member banks (millions)	$4,288	$4,257	$5,807	$7,059
Brokers' Loans, New York Federal Reserve reporting member banks (millions)	$353	$350	$720	$3,026
Stock Prices (average 100 stocks, Herald-Tribune)	$83.19	†$83.67	$95.78	$146.29
Bond Prices (Dow, Jones, average 40 bonds)	$76.94	$77.59	$79.68	$92.90
Interest Rates—Call Loans (daily average, renewal)	1%	1%	2.5%	4.4%
Interest Rates—Prime Commercial Paper (4-6 months)	1½–1¾%	1½–1¾%	3½–4%	4.3%
Business Failures (Dun, number)	467	460	550	500

*Preliminary †Revised



The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures —steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.



requirements run 15% ahead of 1932. Most mills are operating on anticipated orders.

Scrap prices have weakened in all centers. Foreign competition has lowered Eastern Pennsylvania pig iron 25¢ a ton.

Construction Contracts

The strength displayed by the construction industry during November has been largely responsible for the firmer tone of the general business index. In past years, November marked the first sharp decline in activity in the fall months, ranging from nearly 6% in 1926 to 38% in 1931. This year, November has shown not only more moderate declines, but actual increases over both October and a year ago. With one fewer business day than the preceding month, contracts valued at $105.3 millions were awarded compared with $107.3 millions in October, a decline of only 1.8%. On a daily average basis, this amounts to a 2.3% gain. Compared with a year ago, the decline equals 30.4%, on a daily average basis, 33.3%.

The adjusted index for the period ending Nov. 26 gained 2 points to 28% of normal.

The outstanding showing for the month must be credited to non-residential building, which with a value of $31.8 millions topped October by 18.3%. On a daily basis, the increase is swelled to 23.2%, though lagging 47.3% behind a year ago. Not since 1926 has November gained over October.

More than half of the total awards fell in the field of public works and utilities. These contracts were worth $54.2 millions, equal to a 7.3% decline from October, but 12.9% above last year's awards. On a daily basis, both these percentages are reduced, the former to a decline of 3.5%, and the latter to a gain of 8.2%.

Residential awards held up remarkably well, declining but 11.9% from October, though lagging 57.5% behind a year ago. On a daily basis, these awards of $19.2 millions declined but 8.2% from the preceding month.

Coal production during the week ending Nov. 26 was influenced by the observance of the Thanksgiving holiday, but the daily average output showed a slight increase over the preceding week. The Bureau of Mines reports that part of the increase in bituminous output this fall has gone into storage as is customary at this season. However, an encouraging gain of 14.7% in industrial consumption occurred in October compared with September.

Electric Power Consumption

Post-holiday recovery in electric power consumption was on a most moderate scale, bringing the spread from a year ago to 9.6% against 7.8% during the week of Nov. 26. The adjusted index declined a point to 68%.

Carloading averages refer to the week ending Nov. 26 when the Thanksgiving holiday tended to aggravate the usual seasonal decline. Yet the comparison of total loadings from a year ago continues to show a decline of less than 12% for the second consecutive week. Coal and coke loadings were at a higher level than a year ago. The adjusted index based on miscellaneous and less than carlot freight remains at 50%.

Net operating income of Class I railroads in October fell but 0.6% behind a year ago, and is the highest monthly total since October, 1932, and with that exception, since October, 1930. It was achieved by reducing operating expenses 23.4%, taxes 10.3% from a year ago, while operating income declined but 17.8%.

Check Payments and Currency

Check payments during the last week of November declined about 11% in the 140 cities outside of New York City, while showing a 6.5% gain in that financial center. In 9 other financial districts the decline amounted to 12%. The index remained at 55%.

Currency circulation at the beginning of the Christmas month has shown but a moderate increase. Trade forecasts for the holiday season indicate a decline of 25% in the New York metropolitan area compared with a year ago as a result of reduced purchasing power, stock market sluggishness and unemployment fund drives.

Bank suspensions during the last week of November increased to 30, bringing the total for the month to date to 80. October suspensions numbered 67.

Commodity prices continue to fluctuate narrowly at a depressed level. The allotment plan of production control for major agricultural commodities puzzles wheat traders and meets the opposition of cotton mill men. Copper men in conference to allot production quotas are facing the Roan Antelope dissatisfaction with its proposed allotment.

Irregularity characterized silk, cotton, wheat, hides, tin, silver. Reaction hit wool, cattle, hogs, cocoa, rubber, corn, copper. Sugar and coffee firmed.

The Financial Markets

Surplus reserves seems to be stimulating some credit expansion among New York member banks, but liquidation continues elsewhere. New Treasury financing reflects extreme easy money and strengthens gilt-edge bond market, but the trend of stock prices is still indecisive.

Money

THE pressure of steady accumulation of excess reserves among the New York City member banks seems to be reaching extreme stages where the money market is witnessing a *reductio ad absurdum* in money rates. This week saw a cut in bankers' acceptance rates on 90-day bills to ⅜%. As noted last week, the latest Treasury bill issue went at a yield of 0.13%, and now the Treasury announces as one item in the December 15 financing a one-year certificate issue at 0.75%, the lowest rate for a government security of this sort on record.

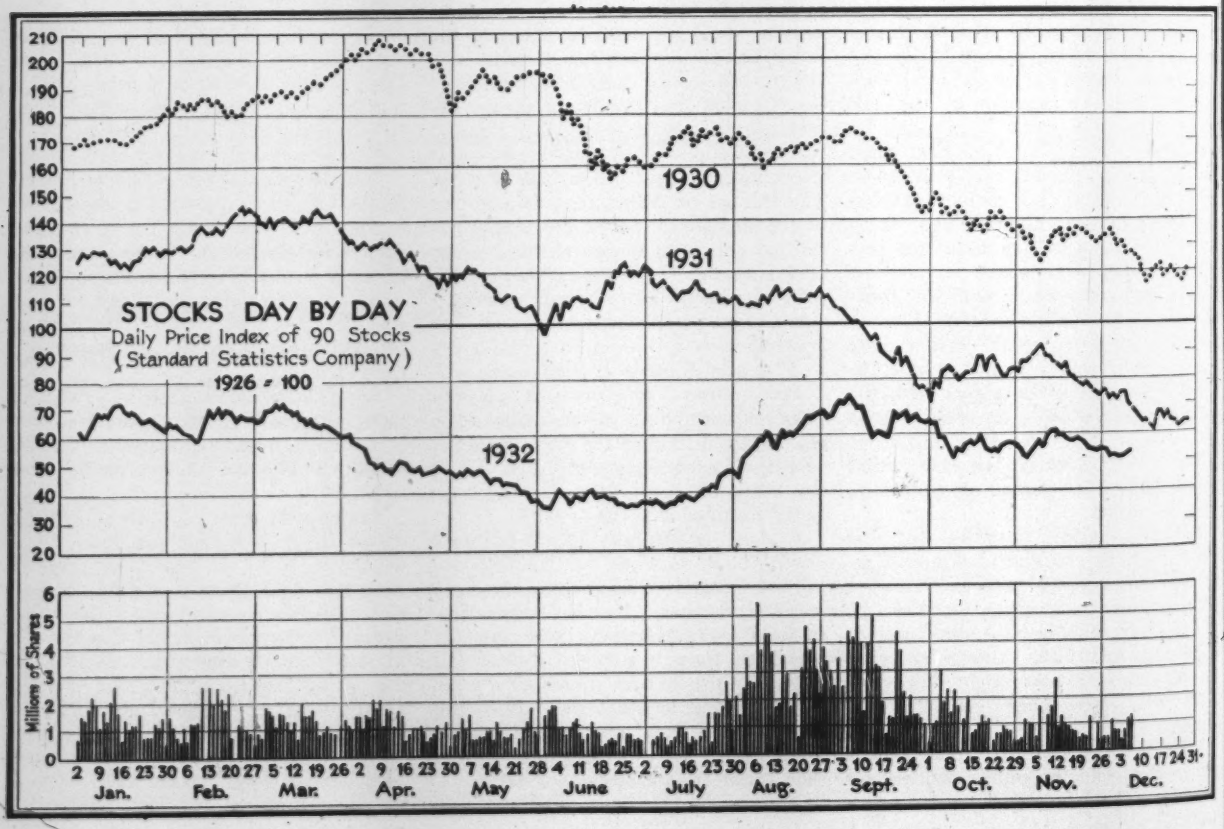
Reserves of weekly reporting member banks have reached the highest level since the depression began, nearly $2 billions. While deposits are about the same as they were at the beginning of the year, reserves have risen about half a billion, which is a rough measure of the present excess. This surplus is being accentuated by the steady inflow of gold, now accelerated by movements from abroad related to the debt payments or due to the decline in foreign exchanges against the dollar.

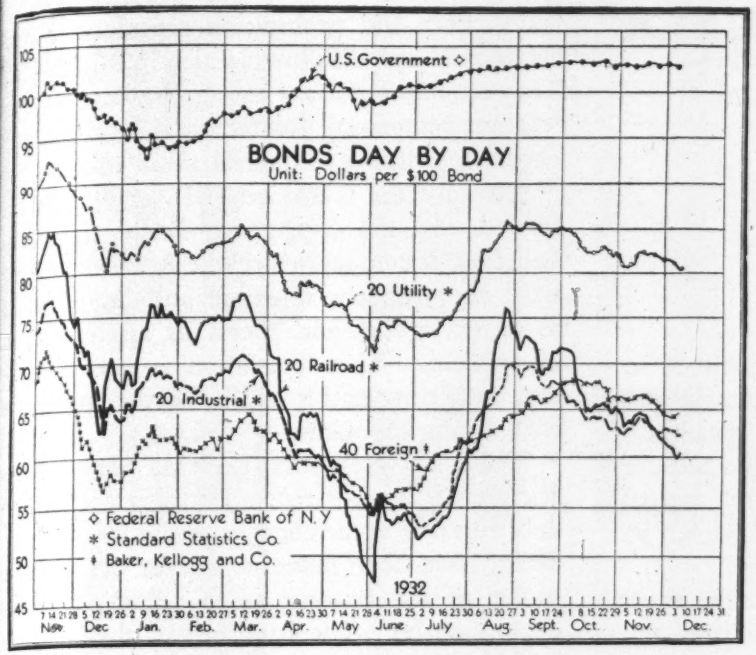
It appears probable that the British debt instalment on Dec. 15 will be paid in gold, although it is not certain how much of the shipments during the past 2 weeks are on this account. French francs and belgas declined this week to the gold point and a return flow of gold from France is expected to start soon—a historic event. The large withdrawals of gold last spring apparently depleted the balances of foreign banks and governments in this country to the point where it is now necessary for them to ship the gold back in order to sustain their exchanges and carry on ordinary business. The amount of gold earmarked for foreign account here is said to be reduced to about $65 millions.

Besides the accelerated inflow of gold, the curious behavior of currency in circulation is another factor in the plethora of member bank reserves. The amount of currency outstanding has shown a slow downward drift since early July and is now about the same as at the middle of the year. There are still no definite signs of the usual rapid increase that occurs during the last quarter of the year, rising to a peak demand for holiday purposes. This failure of circulation to increase, though a favorable reflection on the state of public confidence, is disappointing to the banks which expected to see excess reserves drawn down before the year end.

Those who have been confidently anticipating that easy money conditions resulting from a persistent pressure of excess reserves would ultimately work themselves out in member bank credit expansion may have found some comfort in the bank statements of recent weeks. Certainly in the New York banks there has been an encouraging increase in loans and investments not based solely on buying of government securities, but showing a somewhat persistent expansion of commercial loans and investments in other securities.

Unfortunately this increase has been offset during the past 2 months by resumption of liquidation in outside member banks, after a period of stabilization of loans and investments during the summer, due mainly to purchases of




BONDS DAY BY DAY
Unit: Dollars per $100 Bond
U.S. Government ◇
20 Utility *
20 Railroad *
20 Industrial *
40 Foreign †
◇ Federal Reserve Bank of N.Y.
* Standard Statistics Co.
† Baker, Kellogg and Co.
1932
Nov. Dec. Jan. Feb. Mar. Apr. May June July Aug. Sept. Oct. Nov. Dec.

U. S. securities. Deposits of out-of-town banks still hold well above the low point of July, but the steady loan liquidation without interruption has a nasty look.

Stocks

STOCKS responded to the President's farewell message with the first respectable rally since election time, but it cannot be considered of much significance except as a salute to the good intentions of the Administration in commending economy and budget balancing by a sales tax. Trading has been so impossibly dull day after day for weeks that it is natural for the market to seize any excuse for a little action for the sake of appearances. The only substantial basis for the rally was the favorable showing of October railroad net income—about the same as last year—but there was nothing very new in this to the Street.

The drift of stock prices since election is difficult to interpret either bullishly or bearishly. Averages of the market leaders, like the Standard Statistics index (page 28) show rather prompt and stubborn resistance of the market against going below the 50-line fixed by the October and November lows. This would indicate a fair degree of stability in face of unfavorable news and increasing uncertainties. But the broader averages show a slow but steady downdrift ever since election.

It is obvious that the market doesn't know where it is going and has become a bit dubious about the prospects of business improvement before spring, which is a long time off to warrant it to begin discounting.

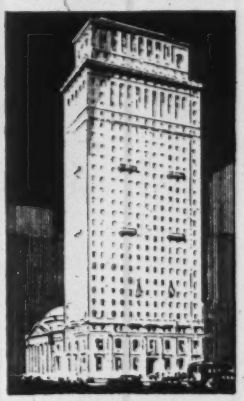
Bonds

THE big event in the bond market this week has, of course, been the Treasury announcement of the form of the Dec. 15 financing. Governments have been steady to strong for several weeks in a soggy bond market in expectation of a favorable offering. The announcement was surprising in some respects. It was expected that the Treasury would offer a billion or more not only to meet the $600-millions note maturity but to cover additional federal needs now on a $150 millions a month deficit basis. Optimists anticipated a large long-term offering.

Instead, the Treasury has contented itself with meeting the Dec. 15 maturity and no more, by $350 millions of 4-year, 2¾% notes and $250 millions of 1-year certificates at ¾%, both reflecting the extreme ease of money market conditions and favoring continued strength in government securities for some time, or at least till Congress begins to play with currency and relief. Some think that advantage might have been taken of the money market situation to do some long-term refunding.

The new issue market is active with new year-end municipal issues, but last week the appearance of the first bona fide industrial bond issue in more than a year and a half caused a little sentimental flurry. The last one mentioned in these pages turned out to be a disguised public utility issue after all, but there was no question about the $3½ millions of 5% first mortgage bonds offered this week by American Smelting & Refining. If it weren't the beginning of winter this might be hailed as a harbinger of spring.

Advantages



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THE BUSINESS WEEK
The Journal of Business News and Interpretation
DECEMBER 14, 1932

Liniment For Lame Ducks

THE business community is usually inclined to let such sessions of Congress as the one starting this week go by default. There is a special incentive to count it a total loss this time because it will probably be the last, and the number of the legislative flock who were brought down by the election shotgun is unusually large.

But it is a mistake to assume that the short session can or should do nothing to speed the processes of recovery. Everyone who has an interest in promoting prompt recovery will do well to encourage conscientious effort on its part to avoid wasting time, and to prepare the way or lay the basis for the work of the succeeding session under the new Administration. The lame ducks will probably not be able to hatch out anything, but they may at least lay a few fertile eggs for their successors to work on.

This is the more necessary because of the magnitude and complexity of the problems which the new Administration will have to meet, and because the difficulties of the coming winter will probably try the public patience considerably and may stampede the succeeding session into action for which it is not properly prepared. There is therefore no excuse for wasting even the few weeks before March 4, if there is any possibility at all of furthering constructive consideration of any of the questions with which Congress will have to deal in the next session.

In order of their importance in the immediate situation, the list of problems upon which the short session must start the legislative mills grinding is somewhat like this:

First and foremost, it must take definite steps toward balancing the federal budget for 1934, and reducing the deficit for 1933. This is the sole and ultimate safeguard of the effective power of both federal and local governments to carry on the protective and relief activities which may be required until recovery is under way. Beer and prohibition repeal come into the picture only as possible aids in this process. They are not important enough in themselves to warrant postponing fundamental fiscal or other urgent legislation to quarrel about them.

Secondly, the Glass-Steagall Act must be extended and the Emergency Relief and Construction Act under which the R.F.C. functions must be promptly amended and improved so as to strengthen and speed its application in every field. This legislation is not working efficiently now, and it will be needed more than ever during the winter.

Third, Congress must provide some systematic mechanism for reconsideration of the war-debt funding agreements after the Dec. 15 payments have been made, whatever the ultimate policy of the country as to reduction of the debts may be. The handling of this problem will be a complex and difficult task which Congress will probably be compelled in the end to assign to some special agency to save its face, but there must be some promise of future consideration promptly forthcoming in this session if international relations are to be stabilized.

Finally, this session should devote some time to serious consideration of the form which farm relief legislation is to take. Such legislation is inevitable and should be enacted for application during the next crop year. It will probably not be possible for the short session to dispose of the subject, and preferable that it doesn't attempt to, but it can at least help considerably by preparing the way for effective action in the next session.

These are the things upon which the lame ducks will do well to exercise their good legs in the next three months. Public opinion will support them if they proceed to do so with dispatch, and sympathetic appreciation if not immortality awaits them for any contribution they may thus make to the acceleration of recovery.

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